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Agricultural Bargaining

Process—Problems—Potentials

0 Proceedings of the 25th National Bargaining Conference
Held at The Diplomat Hotel
Hollywood Beach, Florida
January 15-16, 1981

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PREFACE

These proceedings have been published by Agricultural Cooperative Service, U.S. Department of Agriculture, as a part of its activity of arranging and conducting the 25th National Bargaining Conference at the request of bargaining and marketing cooperatives. The conference was held Jan. 15-16, 1981.

Proceedings include speeches delivered at the conference and related information. Opinions expressed here reflect views of participants. In no way should the proceedings be viewed as representing the policies of the U.S. Department of Agriculture. Use of commercial names does not constitute an endorsement.

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A COMPARATIVE ANALYSIS OF BARGAINING ASSOCIATIONS
Frank Light, President, Sun-Diamond Growers, Inc.

Over the past 10 years, discounting for inflation, cooperatives have helped bring real growth to the raisin industry in California and real value to the farmer.

We can see a degree of stability in the walnut industry but no real growth compared with other nut and fruit industries.

We can examine the prune industry and see that it is a disaster in terms of growth, volatility, and instability. There are a lot of reasons--acts of God, for example--for the different results in these three commodities. But most significant is representation by good bargaining cooperatives in some but not others.

In the raisin industry, 80 percent of the 5,000 raisin producers are represented by either a marketing or bargaining cooperative.

In the walnut industry, 50 percent of the more than 5,000 walnut producers in California are represented by a marketing but not a bargaining cooperative.

In the prune industry, about 40 percent of the 2,000 producers in California are represented by a marketing cooperative and an insignificant number are represented by not very successful bargaining groups.

The walnut industry, which does not have a bargaining group, fares better than the prune industry with one, because an inadequate bargaining group hurts rather than helps.

In these commodity groups, 5,000 raisin producers do business with 18 handlers, 5,000 walnut producers do business with 5 handlers, and 2,000 prune producers deal with 5 handlers.

Dealing with a small number of strong handlers makes it extremely difficult for growers at the negotiating table. But can you imagine what would happen if the farmers did not have an effective organization to represent them?

If growers have no knowledge of the market, a strong handler can negotiate the lowest price possible by keeping quiet. If growers do not know the real value of their commodity, if they talk among themselves in the rumor mills and foresee low prices, their bargaining strength declines. When independent packers feel the growers have talked themselves down to the lowest price level, they can come in and buy at that low price.

How Bargaining and Marketing Groups Differ

A farmer needs a cooperative to be fairly represented at the bargaining table where prices are determined. Actually two types of cooperatives are available to a farmer--marketing and bargaining.

I believe the best type of cooperative for farmers is the marketing one, because they have to come up front with some capital and become a part of a business. When farmers put capital into a marketing cooperative, they not only become a part of the management process, they also get a piece of the action. They get into the real market where the consumer is. They earn a profit on the capital they invest in the marketing cooperative and thus build equity for their future.

They create a market, an identity for their commodity, and a brand--a Sun-Maid raisin, a Blue Diamond almond, a Diamond walnut or a Sunsweet prune.

In a marketing cooperative, they not only buy a piece of the action, they control and direct it.

You might reply, "I've seen some marketing cooperatives go down the tubes. They don't give me nearly the amount of money I get out of my bargaining cooperative."

I believe that if a marketing cooperative is not yielding a good return to the grower, it's not because of legislation or long and short crops, it's ineffective hired management and a weak board of directors.

So, if I were a farmer--which I wouldn't dare become, because I couldn't stand the risk--my first choice would be to join a marketing cooperative. However, if for personal or other reasons I didn't want to join a marketing cooperative, I'd say I was a darned fool if I didn't get involved in a strong bargaining cooperative.

We all know 5,000 walnut growers can't sit down with 5 packers and work out a deal. But there is no good business nor legal reason why a bargaining or a marketing cooperative cannot successfully serve its grower constituency.

When a grower's crop comes in, it must get into the marketplace. For the grower to have a crop in the barn without a price and for the handler to have a crop without a price leads to instability and uncertainty. Without a strong organization of farmers who have a commitment to hold tough, the whole process falls apart.

If 60 percent of the farmers group is being represented by an ineffective bargaining cooperative that can't get a price

settled, the whole market flutters around and eventually comes down to the lowest common denominator of price. Then the whole industry is pulled down with it.

Bargaining Calls for Timely Setting of a Price

Over the past few years, I've watched the prune industry wait until December or January to set a price. Half the market is long gone by then. Customers are not going to buy prunes that don't have a settled price. When they know the price is not set at the farm, they're going to wait, anticipating it may go down. They'll wait, buying hand-to-mouth, and after the market is distressed, the bargaining association usually settles for a low price.

Look at what has happened in the past 5 years. Prune sales have diminished because of the lack of market stability. Prices must be set firmly and reasonably at the opening of the market season. Delivery on consignment is disaster not only for the farmer but for the consumer--in other words, for the whole chain of marketing.

Must Have Good Management

A good bargaining cooperative starts with good management, one concerned about maximizing returns on the grower's investment. I've watched the Raisin Bargaining Association closely for the past 7 or 8 years.

Its manager is concerned about returns on investment over the long term. He and his directors know pricing must be stable and that the selling prices should allow a fair profit for farmers and packers alike. Good management recognizes that everybody in the chain of distribution must make a profit.

In addition to a good board of directors and good hired management, a bargaining association must have control of a substantial portion of the crop. That's an economic reality. To be able to sit down at the table, a bargaining association must be able to deliver the product.

A wine cooperative I know of went bankrupt because the penalty for nondelivery of grapes by the grower was only \$5 a ton. If the cash market looked good, all the growers disappeared and paid the \$5 penalty. When the crop got long and they didn't have anywhere else to go, they delivered and wanted to know why the management couldn't perform. Growers have a responsibility to get behind their marketing and bargaining groups and stick with them.

A bargaining group needs to be fiscally responsible to growers, industry and consumers, and needs to apply common sense.

We must be careful also in managing marketing orders. We need these orders to put some volume controls into the long years.

We must recognize that eventually a long crop must be sold. I've seen bargaining associations that did not recognize their responsibility to move the whole crop. I've heard people say bargaining associations can't work, because when they have long crops, they fall apart. That's not a good excuse. A well-managed bargaining cooperative can maintain the market price level in relation to supply and demand and survive the long and the short. If realistic and fiscally responsible, a good bargaining group can ride the whole wave.

Growers can't serve two masters--a marketing cooperative and a bargaining one. If they are going to belong to a bargaining association, they should not try to straddle the fence with a marketing group. Bargaining associations sometimes attempt to do a little marketing on the side.

It's incongruous for a bargaining association to negotiate with a marketing association. Cooperative ground rules state that marketing cooperatives can't bargain with a bargaining cooperative.

At our annual meeting, someone asked, "How come you're always down on bargaining cooperatives?" He really didn't understand. I replied that I think a grower is better off being in a marketing cooperative. I said I'd rather have growers belong to a marketing cooperative, so they can maximize the use of their capital.

But--if some growers can't belong to our marketing cooperatives, I hope they get a strong bargaining cooperative. From a marketing cooperative's vantage point, it's great to know that there's stability in pricing in the rest of the marketplace.

I strongly support good bargaining cooperatives as a necessary part of farm organizations. The California raisin industry, with 80 percent of the growers evenly divided in membership between bargaining and marketing cooperatives, has demonstrated in the past 10 years how to operate successfully.

Whether we like it or not, we've got competition from the rest of the world. Most of our cooperatives are not looking at the international spectrum clearly enough. We're closing our eyes to it because of emotional and domestic political considerations.

Many people say you can't create a bargaining cooperative, because growers leave during times of stress. The law permits this. But if a commodity is not properly represented, all that has to be done is get a good manager and good, strong leadership from the farm community and then start bargaining.

Most things I hear about the weaknesses of bargaining cooperatives are not true. Sometimes we hear people say the grower has to be brought to his knees before he comes for help. But I think it's just a matter of strong, dynamic leadership.

About 10 years ago, growers in the raisin industry would spend 20 to 24 hours a day calling up their friends to tell them to go to meetings, even to sacrifice their crops, to get organized. That's what it's all about. You've got to get organized to get the job done. I know through personal experience it can be done.

INNOVATIVE MILK MARKETING IN NEW ENGLAND

Louis P. Longo, Chairman of the Board, Agri-Mark, Inc.

I'm here today to talk to you about a unique marketing system, at least in the dairy business and among cooperatives. It will do more than \$1 billion worth of business a year and will handle more than 3 million pounds of milk. Patterned after the PRO-FAC Curtis Burns fruit and vegetable cooperative corporation system, it was adapted for use in the milk marketing system regulated by milk market orders operated by the U.S. Department of Agriculture.

The system interlocks a cooperative with an investor-oriented corporation, motivates capital to its quickest and best use, minimizes the cost of borrowing to the entire marketing system, maximizes capital growth for both the cooperative and the corporation, and services and stabilizes the market. It brings a high degree of market security and allows producers a share in the profits received at the retail level according to their investment in the marketing system.

What are the ingredients for such a system? First a strong, financially stable major cooperative in a marketing area with members holding at least 30 percent equity in the system. The cooperative must have an investment in the market of some type and an understanding membership.

The best type of investor-oriented corporation to get involved with must be a processing corporation with a sizable percent of the market. In our case, the company handled 18-20 percent of the milk in our New England marketing area. The corporation must also be profitable. To save money, many cooperatives have bought out processing corporations. They were losers, though, and you can't do anything with a dead dog.

You must have access to the controlling interest in a profitable corporation. In other words, the shares of stock available must be concentrated so the corporation can be purchased. Don't get involved in a big proxy fight of some kind, if the stocks are distributed all over. That's an impossible situation.

The corporation must become involved in an overlapping interest with the cooperative, so savings can be brought together. Without overlapping interests, the savings are not as great.

In our case, there was a \$12.5 million possibility for capital investment the first year, and a mere 20 percent return on equity. I think that at least a 15 percent return on equity should be shown.

The money lenders must understand the system. In my opinion, bankers are the most insecure people in the world. They lend on the basis of going broke.

The H. P. Hood Co., a major distributor of dairy products in New England, was going to be sold. It was a major processor with a nationwide distribution of cheese and citrus juice products. Located in the middle of our marketing area, fortunes of the Hood Co. had the potential to affect my farm income and security. Profit oriented foreign buyers were interested in the company. The company had all the necessary ingredients for profitability. Seventy-five percent of the shares of stock were owned by the Hood family, and the company had been in family hands for 136 years. It was buying from about 700 producers and from a number of cooperatives in the market, giving us a higher degree of market management. So the Hood corporation was ideal.

Yankee Milk, a strong cooperative in the middle of the marketing area, handled about 45 percent of the milk in the market, with 3,550 members and better than a 30 percent equity base. We had most of the ingredients I mentioned, but not enough money. It was as simple as that. We knew if we went out and tried to generate the capital needed to buy such a large corporation, we would disrupt our supply. Farmers would leave us, because we do have some mediocre bargaining agencies on the side that don't do much for farmers. It was quite obvious that we needed a partner to establish a new marketing system in New England.

Agway, a supply cooperative in the area, was an ideal partner. Agway was involved with establishing the Curtis Burns system 20 years ago. It had the necessary brain power and knew where to get more. It knew the antitrust aspects to some degree, and the law firms to help establish the system. Agway had a vested interest in the dairy business in the Northeast. Fifty percent of all the business handled by Agway is with dairy farmers, so it had a vested interest in the area. Above all, it could serve as a catalyst in the conversion of noncooperative farmers and even some other cooperatives into the system.

The Springfield Bank for Cooperatives understood the system. It is a lender to PRO-FAC Curtis Burns and knew the background of this type of cooperative corporation structure. For many years, I had been talking with Howell Hughes and other members of the bank and people involved with the industry on the need for getting away from the 60 years of stagnation cooperatives in New England have been experiencing, to get off just bargaining and handling surplus, and to get involved more closely with the product in a profitable way.

Because of the unique situation of the four entities involved, the corporation, the cooperative, Agway, and the bank for cooperatives were able to put together the capital, supplies, and organizational structure for a new marketing system and a

new cooperative. A profit-oriented partnership was established between Agway, a supply cooperative, and Agri-Mark, a milk marketing cooperative. Each would invest an equal amount of capital in purchasing the H. P. Hood Co., and the margins would be divided according to the equity we put in. The cooperative was organized conventionally. Dairy farmers would own and control the cooperative, a board of directors would be elected through sections, and delegates would be elected to represent the members.

The corporation would be controlled by farmers. Actually, at least $66\frac{2}{3}$ of the shares of common stock would be owned by Agway, and it would have the right to appoint 70 percent of the members on the board of the corporation. There are two classes of stock in the corporation. The Class A stock, offered to the general public, carries a right to elect three members to the board. Agway would own the Class B or common stock with the right to elect 70 percent of the board. There would be three members on the board from management. The chairman of the board of Agri-Mark would serve on the board of directors of the H. P. Hood Co., and the chairman of the board of H. P. Hood would serve on the board of directors of Agri-Mark.

The closing was to be on the first day of July 1980. On the 27th of June, the Justice Department issued a cease-and-desist order through the courts in Vermont, and we weren't allowed to close at that time. A hearing was held, and we had to compromise on a number of things. We had to agree to take the milk from producers who were shipping to the Hood Co. who would not sign a contract with Agri-Mark until March 1, 1981. We also had to agree not to close any plants until the consent decree we signed would become final, some time this month, we hope, and to do a number of minor things we had intended to do anyway. However the decree disrupted what we wanted to do immediately. After we had signed the consent decree requiring us to abide by Justice's demands, we had the closing on the 16th, a major project. We closed on 36 parcels of property that extended from Boston to Utah. There were 41 parcels involved with the closing. The total involvement was \$56 million.

First, Agway bought 98 percent of the common shares of stock of H. P. Hood Co. Then Agri-Mark purchased all Agway's fixed assets in the Hood Co. and all of Yankee Milk's assets. Yankee Milk was dissolved and brought into the new cooperative. At that point, Agway could have gone home, because Agri-Mark and the Hood Co. started to do business. We entered into a lease contract for all the buildings and equipment at a break-even bottom line to the H. P. Hood Co., and H. P. Hood would be under the management of the corporation. We leased it all back to the H. P. Hood Co. Then Agri-Mark entered into a full supply

contract with the H. P. Hood Co., assuring it of a full supply of milk, and it, in turn, assured Agri-Mark producers of a market for its milk--a billion pounds in that part of the system alone.

We entered into a loan agreement and contract, with Agri-Mark agreeing to lend the money it can borrow to the corporation, as Agri-Mark had plenty of borrowing power. As Agri-Mark began to accumulate its capital, we told members it would cost them 94 cents for every 100 pounds they ship in a year. They would be allowed to pay it over either a 5- or 7-year period with interest. We would take the note to sell to the production credit association and stand behind it. If a farmer decides to go out of business, his equity would be returned over a 5-year period. We were able to acquire equity in that fashion.

We also agreed to lend the corporation any excess equity that we may have interest-free. This, of course, gives the corporation the ability to have proper capital at proper rates to do business. We also entered into a management contract for the Hood Co. to manage all the balancing plants formerly owned by Yankee Milk, now the property of Agri-Mark. The corporation has the responsibility to process and market milk and other products.

The cooperative's responsibility will be to sell raw bulk milk supplies to the Hood Co. and other processors in the market. So Agri-Mark is going to handle 3 billion pounds of milk. It will be selling a billion pounds of milk to Hood, a billion pounds of milk to other processors in the market, and keep a billion pounds of milk as a reserve of surplus supply through the manufacturing plants in the system.

Hood and Agri-Mark have agreed no net margins would be paid in the form of dividends to the common stockholder, Agway, and no patron refunds over the amount required by law would be given to Agri-Mark members for the first 3 years.

One of the big problems in the history of New England cooperatives is undercapitalization. The inability to stay abreast of the market with capital to provide proper cash flow has been a major problem. This is why cooperatives have not been able to do the job in milk marketing in New England. Many processing cooperatives are almost ready to go under because of the lack of capital within their system. Our marketing system gives us a tremendous capacity for capital growth. All major capital expenditures have to be agreed upon by boards of directors of both Hood and Agri-Mark, because Hood will have to pay for them and Agri-Mark will have to stand behind any loans to get the proper capital into the system.

Who controls whom? Who is really the boss in this system? No one dominates the system, because that would spoil it. It's a margin-oriented system, and we're interested in the bottom line.

The system takes the layman out of direct management, removing a factor in the downfall of some cooperatives. We have drawn the line in appointing the management, so there are no longer any political thoughts among the board of directors of the H. P. Hood Co. On the Agri-Mark side, the cooperative system plays around with the political aspect of problems. This makes the system sturdier.

The system takes the burden of market capitalization off the shoulders of farmers. For 60 years, farmers have been asking their cooperative leaders, "Why are you subtracting the revolving fund, the certificates of investment, or whatever?" They were the only ones putting capital into the market, and they never put enough in. The minute a cooperative tried to get the right amount of capital, it lost producers. What have we done here? We've enticed an outside entity with a vested interest in the dairy business to come in and share some of the capital. Agway put \$28 million into it.

The system is structured to entice the general public to invest as it grows. If the system were to make only \$2 million in net margins, Agway would get a \$1 million and Agri-Mark would get \$1 million. Because the owners of Agri-Mark are dairy farmers, their margins are not taxable at the cooperative level. We give our producers 20 percent, so we send out \$200,000, and we've got \$300,000 of capital growth, retaining the rest in the system. The Agway side is taxable by at least 50-55 percent. Agway will only have \$450,000 left to invest back in, and we've agreed to match our equity, the same amount on each side.

The Agway board of directors are not all New Englanders; some are from Pennsylvania and Ohio. They're not going to dip into that till to give us more money when we want it to match our equity. Shares of stock will be sold to the general public to entice capital into the system and help make it grow. It's a unique way to bring in capital. If invested through a profit-oriented system, the capital could grow geometrically. Performance shows we have a possibility of \$12.5 million in net margins the first year. The system is working. Our only obstruction is the Justice Department not allowing us to close the plants we can close where the system overlaps.

We will have problems as far as future contribution of equity from new producers. Farmers are asking me whether cooperative losses are a problem. You should try to make a big margin sometime and see the problems it generates on the other side.

By the end of the first year, our producers will have at least \$1.10 per hundredweight of annual deliveries in equity; and if the system grows according to plan, they'll reach about \$1.14-\$1.15 in equity.

What will we charge a new producer coming in? A legal structure must be established so we can entice producers while being fair to those who put risk capital into the system.

We in the dairy business have problems. We stand in the middle of one of the greatest population concentrations in the United States with a heavy milk-drinking population, yet we cannot market as well as dairy farmers in the central part of the United States where they are better organized. There's a lack of unity and of knowledge of what cooperatives can really do in New England. Although 87 percent of the producers belong to some kind of cooperative, only about 50 percent of them belong to a marketing cooperative. There's a lack of understanding, so cooperatives must produce. We think this system will produce for farmers and so grow in the marketing area.

BARGAINING STRATEGIES

Ralph B. Bunje, Partner, The Agribusiness Group

Every transaction between two groups generally goes through three stages. The first is analysis, the second, composition or preparation, and the third, execution. In fact, if we think about it, there are very few decisions for action that we make as farmers and businessmen that do not involve these three steps.

Failure of a transaction or negotiation can nearly always be traced to the failure to fully and carefully investigate, leaving out some feature of the composition phase, or flaws in the manner of execution. The lynch pin of successful negotiation is the care and skill exercised in playing your ACE; analysis, composition, execution. It is so easy to believe that one can execute action without analysis and planning.

Negotiations, strategies, and tactics must be carried out within this framework. Strategy is developed in the analytic phase, and tactics come into play during the execution phase of any negotiation. Negotiating for prices and terms of sale for farm commodities employs the same basic procedures used in other forms of commerce. Farm bargaining does not enjoy the same legal power base that, for example, is available to organized labor. Farm bargainers generally do not exercise the control over supply, production or the behavior of the marketplace that could bring real muscle to the bargaining table. We must understand there are inherent weaknesses in our position that must be overcome by using greater negotiating skills and gaining a better understanding of the farm bargaining process.

The business of negotiation is very logical. An orderly procedure is involved, one step leading to another, seldom with short cuts. Obviously, plans cannot be completed until all of the information is at hand, and negotiations should never commence until analysis and planning have been completed.

The investigative phase involves three basic subjects: the goals of an association and its needs, strengths, and weaknesses; the economics of the marketplace; and the needs, the goals, the strengths, and weaknesses of your customer. Note that I've used the term, customer, and not the phrase, the other side. Negotiation is an art and a skill, involving persuasion and logic. The phrase, the other side, implies it's us against them, in other words, confrontation. While confrontation may on occasion be a necessary tactic, it is only one of many that may be used.

Analysis

Your association--What are the real goals of your members? What are their real needs? A recent study of bargaining

associations showed that association goals were ranked in the following order:

1. Higher grower income
2. Stable prices
3. Assured markets
4. Expanded membership
5. Expanded markets
6. Higher prices

It is significant that higher prices were ranked so low.

What are the strengths and weaknesses of your association? In a labor union, the term solidarity is used to describe the support of the membership. In a voluntary association, such as we are acquainted with, member support is the single most important strength that an association can have. The greatest failing that an association can have is the lack of member support. The analysis of membership support must be objective, for it is the most important asset you may have in your negotiations. The degree of membership support or the lack of it is also easily determined by your customers.

A negotiator needs to know several important member positions. Will members support association strategy? Can members influence the buyer's decisions and will they do so if so requested? Will members resist efforts from buyers to weaken an association position? Is the members' aggregate volume a significant portion of the total supply or of the supply of a major buyer?

The degree to which an association can influence the supplies of a major buyer is an important factor in bargaining. The ability to divert supplies to an alternative use can be very significant. This has worked very well for the milk people who are able to divert fluid milk to hard goods to remove excess supplies from a certain market. Fruit growers who enjoy multiple markets, such as canning, drying, processing, freezing, and fresh have a distinct advantage in developing some bargaining strength. On the other hand, having excess supplies hanging over the market can often have devastating results in determining a reasonable price for a commodity and may also provide an almost insurmountable obstacle when undertaking negotiations.

Through member support, sanctions may be imposed on the buyer. A sanction is the ability to inflict an economic loss. For years, buyers have employed sanctions such as refusing to deal with a seller, boycotting certain producers, bypassing acreage, and coercion. Using sanctions is a tactic and will be covered later. What is important, at this stage of investigation, is whether your members are in a position to apply sanctions, and if asked, whether they would support the association leadership.

In analyzing association strengths and weaknesses, the potential for using marketing orders to establish industry-wide grading standards or developing industry standards or market expansion programs should be taken into account.

The character of your membership also can be significant. Does the membership consist of large, well-financed producers or does it suffer from lack of size and staying power? Are your leaders prepared to walk the last mile or will they bail out if a sweetheart deal is available? You must discover all of these factors and many others as you investigate your position before beginning to bargain. You must measure the skill and knowledge of your negotiator or negotiating team. In analyzing the skill of a negotiator, try using these check points:

1. Does he have an open mind and is he flexible?
2. Is he aware of the needs of the other side as well as his own?
3. Can he quickly identify mutual goals and interests?
4. Is he the type of person who never accuses the other side of being wrong?
5. Does he seldom manipulate people?
6. Is he creative and imaginative, able to come up with alternative approaches?
7. Does he have a cooperative attitude?
8. Is he a good competitor and achiever, and does he have high aspirations?
9. Does he never see a deal as irrevocably closed?
10. Can he think clearly under stress?
11. Does he have analytical ability?

12. Does he have general tactical intelligence?
13. Does he have personal integrity?
14. Is he a good communicator?
15. Does he have perseverance and stamina?

The Marketplace--Farm bargaining and price negotiations can be an important influence in the market for the commodity or the finished product that is made from the commodity. Knowing the commodity is an important part of the investigative process. Every commodity market has a distinct profile and a certain rhythm.

People who are specialists in that market can interpret and read signals an outsider is unaware of. The negotiator for a farm bargaining association must learn to be a specialist in the commodity for which he is negotiating. Becoming a specialist and an expert in a field means knowing all of the economics of the marketplace, including supply, demand, prices, market shares, market attitudes, and the personalities who may have an influence on the market's behavior.

Some commodities may be influenced to a major degree by a large factor's decision to carry out a major promotion or concentrate on the development of a new market. Farm bargaining must be based on the realities of the marketplace. Buyers, processors, and marketing organizations make plans based on the ability to earn a profit on their enterprises. This must be understood and should always be factored into any plans undertaken by the bargaining association. Investigation of the marketplace must be thorough, complete, and objective.

The Customer--In the composition or strategy phase of farm bargaining, knowing your customer is vital. First, you must understand the needs of your customers.

Customer needs may be divided into three parts, the needs of the industry at large, the needs of the individual companies with which you will be negotiating, and the needs of the negotiator for your customer.

Industry needs are fairly simple and can generally be identified as needing adequate supplies of good quality products for the marketplace and a good business climate conducive to profit. Prices and terms of sale established by a bargaining association must be related to such needs. Corporate needs may be more complex to understand. The nature of the company and the type of market it supplies have a great

deal to do with its needs. There are no companies who don't seek to grow larger and more dominant or whose profit plans and profit centers aren't structured to increase stockholder returns.

The bargaining association's main role is to make sure such growth and profits are not made at the expense of the farmer/supplier.

Once that principle has been established with the buyer, farm bargaining can proceed along constructive lines. It is important to seek out the real needs of the corporation, which may on occasion differ from the stated needs. Here are some typical corporate needs:

1. To purchase a specific volume of a product.
2. To purchase a particular quality necessary to reduce operating costs or to meet a special market.
3. To have deliveries made at specific times.
4. To meet a profit plan objective.
5. To increase the organization's share of the market.
6. To realize prices that meet or exceed those of competitors, never placing the organization at a competitive disadvantage.
7. To increase or decrease its purchases.
8. To maintain a reputation or market position.
9. To maintain and achieve a corporate policy or goal.
10. To satisfy the head office.

The needs of the individual with whom you are negotiating must be understood and evaluated. Your understanding of his needs is aided by an understanding of corporate goals with which you as a negotiator must work. The common denominator of any negotiation is dealing with the needs of people as well as their organizations. Dr. Abraham Maslow points out that the satisfaction of needs motivates nearly every type of human behavior. He classifies needs in the order of their importance, as follows:

1. Physiological.
2. Safety and security.

3. Love and belonging.
4. Esteem.
5. Self-actualization.
6. Knowledge.
7. Aesthetic.

Each negotiator has personal needs. While he may be negotiating for his company, his personal needs may influence his conduct and behavior. A good negotiator will support and make his personal needs subordinate to those of his employer, but this is difficult in negotiation. Here are some typical needs of a negotiator that I have noticed:

1. To be recognized by the company to achieve advancement.
2. To satisfy "the boss."
3. To purchase a volume of the commodity at a price necessary to establish corporate goals.
4. To establish a feeling of importance.
5. To keep one's job, needing assurance because of fear.
6. To demonstrate superior knowledge and command.
7. To impress business associates.
8. To impress colleagues by demonstrating professional skill.

Composition

Composition, or planning, is based on what has been learned in the analytical phase. Now is the time to plan strategy. If the investigation has been thorough, the strategy phase will follow quite logically.

Working for the needs of the buyer is always good strategy, particularly when those needs are not involved with unfair prices or terms of sale or serious conflict with association goals. It is surprising how often the needs of the buyer are not in conflict with the needs of the association. The association's importance to the buyer is enhanced, if the buyer realizes you're interested in his needs. Sometimes needs of the buyer may be achieved by a change in specification or of the volume of supply or the quality of deliveries. Perhaps the negotiator for the buyer needs special recognition to advance. A good negotiator may cause the buyer to work for the needs of the association by agreeing on mutual goals.

On the other hand, working against the needs of the other side can often lead to problems. Activity deliberately calculated to threaten the basic needs of the other side makes negotiation more difficult and may lead to confrontation and stalemate.

Once the needs of both parties are understood, specific goals should be established, and the plan based on the investigation can be made. Goals should be both short- and long-range. Sometimes it may be necessary to plan and achieve long-range goals through the "salami" approach, by taking one slice at a time. There are a number of factors to bear in mind during the planning phase. It is important to understand the goals people may be striving for and what they may do to achieve them. Some commonly recognized goals are:

1. Money
2. Power and competence
3. Knowledge
4. Achievement
5. Excitement and curiosity
6. Socialization
7. Recognition and status
8. Security and risk avoidance
9. Congruence

The planning phase also should include a clear understanding of what I call the bottom line. Does the negotiator understand the real bottom line goals of his own organization and those of the buyer? Are his perceptions accurate? What are the buyer's perceptions of the association? How often have we heard the comment, "Had I only known that was what you had in mind, we wouldn't have had to go through all of this."

Execution

Only when the analytical and preparation phases are complete should the final bargaining take place. This is when final understandings are reached. There may have been many meetings and conferences during the earlier phases. Sometimes a mutually satisfactory decision may be reached during those early phases, but if not, final negotiations deal mainly with tactics.

Timing can be very important, depending on the commodity and when the decisions are made on such things as planting, harvesting, pack budgets, and profit plans.

Priorities need to be established. Good strategy may call for nonprice terms to be negotiated before price. Reaching agreements on nonprice terms may lead to better negotiations on price.

The starting point should be comfortable. Taking off from the preceding year's understandings is often most desirable. Surprises or new demands may lead to unwanted demands, delays, and confusion.

Negotiate in a good physical environment. Remember that where the negotiations are carried on may be significant. The home team sometimes has an advantage. Find a pleasant, quiet, neutral place where communication is easy. If your aim is to frustrate a negotiation, a good tactic is to try negotiating in a nightclub or bar. People are often influenced by their surroundings.

There is no single procedure for farm bargaining. In some cases, it may be highly structured; in others, informal. The important aim is to make sure both parties feel comfortable.

Some negotiations may follow certain rituals, like those often ascribed to labor negotiations and referred to as a three-act play.

In the first act, both parties behave aggressively, making firm demands and staking out firm decisions. Much of the rhetoric is designed to advise the rank and file of the hard stand taken by the other side.

The second act involves hard bargaining. Here each side searches for a compromise. The retreat from sham positions is often slow and deliberate, and each side listens for subtle signs of concession. Here various tactics are employed, and behavior becomes uncertain, as each side seems to gain advantage by delay, confusion or resistance. Each side tests the other.

The last act finds each side seeking the last point of resistance. Here crisis often leads to settlement. It is also in the last act that the negotiator plays his more important role, keeping negotiations on track. Each negotiation activity is tailored to fit the needs of a particular industry or commodity.

Much can be learned from observing negotiations that are carried out in public affairs. The negotiations with Iran provide a fascinating example of a wide use of various tactics in attempts to satisfy the needs of each side.

Here are some examples of tactics often employed in negotiations:

1. Patience. The ability to wait out an agreement in return for the expectation of gaining more in the future.
2. Deadlines. The means of precipitating a decision by fixing a date to withdraw an offer.
3. Fait Accompli. An action that demands a reaction from the other side. This is often risky, and the consequences should be carefully considered.
4. Surprise. A dramatic or drastic change in position or behavior. This may not work when dealing with the same people year after year.
5. Association. Associating your goals with those of others with influence or understanding. Banks, for example.
6. Multiple issues. Having many issues on the table and trading off one for the other. Getting a concession on one to gain on another. This is a popular device in which you can give up an unimportant issue to gain on an important one.
7. The Salami approach. A small slice at a time. Often used to obtain long-range goals by achieving a small victory of no great consequence, but when added up, year after year, can be significant.
8. Bribery and sweetheart deals. Sometimes used by buyers for giving special concessions to important members or large nonmembers.
9. Questions and answers. Used to ascertain and test assumptions or to learn about the intentions and the sense of values of the other side.
10. Limited authority. Restricts the authority of a negotiator to make a final decision. This is the means of testing a new proposal or gaining time to suggest a compromise.
11. Threat. A threat to withdraw or inflict a sanction should never be used unless you can follow through. Threats can induce retaliation.

12. Reading and sending signals. There are verbal and nonverbal signals. They are an important part of negotiations. My experience has been that nonverbal signals may be more significant than verbal signals. Learn to watch people and study their body language. This sometimes requires keen observation.

13. Stalemate. The inability to come to an agreement can be handled in several ways such as mediation and arbitration.

Many farmers like to talk about power and how to use it. Using power is a tactic that is often attempted but often fails. Bargaining power is the ability to influence the behavior of the other side without making a concession. I suggest that great care be used before using "bargaining power." The first step is to ascertain the relative power of the association to the buyer, and to bear in mind that:

1. Power is always relative.
2. Power may be real or apparent.
3. Power may be executed without action.
4. Power is limited.
5. Power exists only to the extent that it is accepted.
6. The use of power always entails cost and risk.
7. The use of power cannot be separated from the means.
8. Power relationships change over time.

If this article and my book on farm bargaining and price negotiating have the power to influence constructive negotiation among farm bargaining associations in the United States, I am well rewarded.

STATE STATUTORY FRAMEWORK FOR COOPERATIVE BARGAINING
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Many laws deal with bargaining from an outside perspective. Examples are antitrust rules that apply to the bargaining process, the Agricultural Fair Practices Act, and various State laws that deal with bargaining. However, I will focus on an internal perspective. I will look at the law that deals with the organization farmers use as a bargaining vehicle. More specifically, I will look at the statutes under which farmers may form associations that can be used as a method for effective bargaining. These rules, the incorporation statutes, are the most immediate rules that guide associations. Unfortunately, they are often neglected as a reflection of the bargaining process itself.

As a general statement, farmers must first coordinate activities among themselves before they can bargain effectively. My theme deals with that interfarmer coordination. Farmers must coordinate activities among themselves to present a unified force in the market--and this interfarmer coordination is the subject of State cooperative incorporation statutes. Laws that deal with bargaining from an outside perspective deal with the process after farmers have first coordinated their own activities. The cooperative incorporation statutes, on the other hand, deal with the coordination among farmers before, during, and as an essential feature of a bargaining association.

First, I will note an ongoing USDA study of these statutes. After that will be a brief historical summary of the development of these statutes. Statements of policy contained in the statutes will be noted, and the purposes and powers recognized and granted in the statutes will be mentioned. I will then note some special items in many of the cooperative incorporation statutes that relate to the bargaining process itself. Finally, I want to make specific note of what cooperative incorporation statutes cannot and do not do in the bargaining process.

USDA Cooperative
Incorporation
Statute Study

Agricultural Cooperative Service in USDA is presently engaged in a detailed comparative analysis of the State cooperative incorporation statutes that may be used by farmers to form cooperatives. This project has been underway for a number of years and is now reaching completion. The study addresses the statutes that may be used by farmers to form cooperatives. They include those directed only to farmers and those that may be used by farmers as well as others to form a cooperative association. In all, there are about 80 statutes in the 50 jurisdictions. As you can imagine, this project is massive and time-consuming. We hope to have the major results by the end of 1981. My comments this afternoon are based on an overview of the statutes that have been studied in Agricultural Cooperative Service.

Historical Development

The earliest cooperative incorporation statutes were enacted in several States in the 1860's. Some of these were rudimentary in form and some were detailed. Most were general in application, though some were designed more for use by farmers than for others. States continued, in a piecemeal fashion, to enact such statutes during the late 1800's and in the early teens in the United States. However, the greatest surge of activity came in the early 1920's under the influence of Aaron Sapiro.

Aaron Sapiro was a young California lawyer who worked for the California Department of Agriculture. He, along with a number of others in the department, had a very particular view of farm product marketing. His view is sometimes called the "Commodity Marketing" concept. In sum, that view had held farmers could only be effective marketers--in other words, receive fair prices--if the association they formed to market their product controlled a high proportion of the crop and used its bargaining power to raise the price of the product.

Sapiro not only believed in this system, he preached it. In 1918, 1919, and the early 1920's, he traveled widely, made farmers enthusiastic, and established many associations. He traveled in the South, in the far West, and in Canada.

Sapiro's travels taught him a number of things, among them two items of interest from a legal standpoint. First, he noted considerable opposition along traditional antitrust lines to the development of effective farmer associations. Second, he noted a severe lack of adequate incorporation statutes that could appropriately be used by farmers.

Sapiro took it upon himself to design a statute, now sometimes called the "Standard Act." This so-called Standard Act was developed by Sapiro from existing statutes and contained the kinds of provisions Sapiro thought necessary to assist farmers in effective bargaining.

By the late 1920's, the Sapiro Act, or a slightly modified version of the Sapiro Act, had been adopted by three-quarters of the States. This was indeed a "legal explosion." Today, about two-thirds of the States have a similar statute, along with a number of other types of cooperative incorporation statutes.

Other cooperative incorporation statutes were developed and enacted in subsequent years, and today there is a mixed pattern among the States. Some of the cooperative incorporation statutes are restricted to agricultural producers, but others are not. Some are designed only for stock corporations, while

others apply only to nonstock cooperatives. The Sapiro Act itself permitted the incorporation of either stock or nonstock associations. Some of these statutes are detailed and some are quite brief. As I mentioned, there are about 80 statutes in the United States that farmers may use to form cooperatives. (It should also be noted that farmers may use an ordinary business statute in some cases, and design bylaws so the business operates on a truly cooperative basis.)

We can summarize the historical development of present-day cooperative incorporation statutes used by farmers in the bargaining process by emphasizing the influence of Aaron Sapiro. Sapiro's Standard Act, and its strong bargaining purpose antecedents, exists today as the outstanding example of the incorporation statutes used by the majority of farmers in the United States as they bargain for a better price for their products.

We can conclude that statutes were developed in a "bargaining" atmosphere. The original purposes of legislation related directly to the fundamental purposes and goals of farmers bargaining in contemporary economic systems and structures that you are discussing in the bargaining conference today and tomorrow.

What Are
the Statutes?

Business organizations, such as corporations and cooperatives, are given their existence by the State. This existence is expressed by the State statutes used for incorporation. These statutes do several things. First, they describe the organizations that qualify, giving the basic characteristics and requirements to meet the structural, organizational, and operational standards established in the statute. Second, they grant the organization its very existence. Finally, the cooperative incorporation statutes grant powers to the organization to operate and carry out its functions on behalf of farmers, and grant the protections that are associated with the cooperative form of business organization. They, in fact, describe in great detail the relationships among the farmers who are members of the organizations. They describe the rights and responsibilities of the individual farmers with respect to the organization itself and with respect to other farmers who are also members of the organization. They lend formality to the interfarmer coordination that is a prerequisite for effective farmer bargaining.

Policy Statements
in the Statutes

Many of the cooperative incorporation statutes express a particular concept of agricultural problems. I want to quote from a version of the Standard Act that is found in many, but not all, statutes in existence today.

"It is here recognized that agriculture is characterized by individual production in contrast to the group or factory system that characterizes other forces of industrial production; and that the ordinary form of corporate organization permits industrial groups to combine for the purpose of group production and the ensuing group marketing and the public has an interest in permitting farmers to bring their industry to the high degree of efficiency and merchandising skill evidenced in the manufacturing industries; and that the public interest urgently needs to prevent the migration from the farm to the city in order to keep up farm production and to preserve the agricultural supply of the nation; and that the public interest demands that the farmer be encouraged to attain a superior and more direct system of marketing in the substitution of merchandising for the blind, unscientific and speculative selling of crops."

I believe this statement, this concept of agricultural problems, reflects many of the underlying motivations of farmer bargaining being discussed at this conference.

Declaration of Policy

Many statutes, particularly those based on the Aaron Sapiro Standard Act, contain a declaration of policy. One example reads, "This Act is passed to promote, foster, and encourage the intelligent and orderly marketing of agricultural products through cooperation; and to eliminate speculation and waste; and to make the distribution of agricultural products between producer and consumer as direct as can be efficiently done; and to stabilize the marketing of agricultural products."

We can conclude, I believe, that the conditions and policies expressed in the statutes are as applicable today as when most of these statutes were enacted more than 50 years ago.

Though old in age, statutes are in fact "modern" in their ideas--and these are the statutes that for the most part apply to modern bargaining associations.

Purposes and Powers

For what purposes may associations be formed? A typical statute states "an association may be organized to engage in any activity in connection with marketing or selling of the agricultural products of its members, or with the harvesting, preserving, drying, processing, canning, packing, grading, storing, handling, shipping or utilization thereof, or the manufacturing or marketing of the by-products thereof; or in connection with the manufacturing, selling or supplying to its members of machinery, equipment or supplies; or in the financing of the above enumerated activity; or in any one or more of the activities specified herein." It is clear that though Sapiro's aim was to provide an effective bargaining

organization, the statute that he drafted contains a broad statement of purposes that apply to many kinds of cooperatives, engaged in many different activities on behalf of farmer members.

Likewise, the powers granted in the typical statute are broad. They include such powers as the power to borrow money; to make advances to members; to act as the agent or representative of any member or members in any of the cooperative's activities; to establish reserves and invest funds; to buy, hold, and exercise all privileges of ownership; to do each and everything necessary, suitable or proper for the accomplishment of any of the purposes or for the attainment of any one or more of the objects of the statutes. Again, it is clear that the statute gives broad powers to farmers to use their associations effectively for many purposes, including bargaining.

Special Features of Interest

The idea of bargaining requires several things--it is a coordination of independent farmers for a specific purpose. The idea of interfarmer coordination is reflected in specific statutory provisions.

Let us turn now to some typical statutory contents and relate them to this idea of coordination of farmer efforts.

Incorporation Procedures. Bargaining requires action. Farmers can talk about doing something, take the initial steps to organize themselves, and do many other things on the way to effective bargaining. But they must actually formalize their bargaining activities before any effective progress can be made. This is the point of the statutes when they describe specific incorporation procedures. These procedures force farmers to define their organization and get on with the job of interfarmer coordination.

Articles of Incorporation. The articles of incorporation describe the steps that must be taken toward formal action. Articles force farmers to take those steps and decide upon an actual organization. Articles of incorporation must include a description of the basic characteristics, purposes, and powers of the organization. They show final agreement among farmers and represent a conclusion drawn by farmers about their organization.

Bylaws. The bylaws are formal rules that describe relationships among members--mechanisms by which bargaining efforts will be implemented. Bylaws reflect the kind of association farmers want and the method they want to use to coordinate their activities in the bargaining effort.

Membership. Many agricultural statutes limit membership to farmers. Farmers are those for whom the bargaining efforts are made. Bargaining is supposed to benefit an identified membership. The statutes require associations be operated for the mutual benefit of members as producers of agricultural products. Therefore, the membership requirement formalizes the overall purposes of the organization and identifies the groups of individuals for whose benefit the organization is operated.

Voting and Control. Statutory provisions typically cover such items as voting power, membership meetings, votes required in quorums of meetings, referenda, and many other features of member control.

Bargaining associations belong to the farmer, and the coordination of farmer efforts implies rules--rules by which farmers themselves can take collective action and present a collective, unified, coordinated marketing position. The first step to this unified effort is an internal decisionmaking process defined by statutes. Those many provisions in the statutes that guarantee member control relate directly to the decisionmaking processes that must occur when various farmers with various interests coordinate their activities to bargain with buyers of their products.

Other Provisions. Provisions that concern directors, officers, finance, stock, and many other items address the things that farmers must do to bargain effectively. They relate to what farmers must do among themselves. This is the inside perspective to bargaining represented by cooperative incorporation statutes.

I believe we can conclude from this overview of the special provisions in cooperative incorporation statutes that each feature of the incorporation statutes reflects an analogous feature of interfarmer coordination for bargaining associations. Each legal concept, each necessary step for effective farmer cooperation, and most things that make bargaining efforts effective are addressed, in some fashion, in the cooperative incorporation statutes.

Statutes do not, and cannot, make an effective bargaining association. They provide only a legal mechanism.

What Statutes
Do Not Do

If farmers want to coordinate bargaining efforts, if they are willing to make necessary commitments and sacrifices, then, and only then do the statutes provide the mechanism.

Bargaining among farmers, and the requirement for farmer coordination for effective bargaining, is voluntary. Statutes are also voluntary. If farmers want to do what is required to bargain effectively, they can do so under the statutes. But the statutes do not, and cannot, make them do it.

Conclusion

We can draw several conclusions from this overall survey of State cooperative incorporation statutes as it relates to the farmer bargaining process.

First, statutes, though old and though broad in their application, are relevant to modern bargaining efforts. They are as useful and as appropriate today as they were more than 50 years ago when most of the statutes were enacted.

Second, they provide mechanisms useful to farmers who wish to coordinate bargaining efforts. Purposes and powers contained in the statutes are designed for the kinds of things farmers must do to bargain effectively.

Third, many features of incorporation statutes are analogous to the kinds of things that are inherent in farmer coordination--formality, control, a decisionmaking process among farmer members, an exchange of information, and many others. Farmers must have a purpose in their bargaining efforts, and they must have powers to effectively carry out that bargaining process. Both are addressed in the statutes.

Bargaining is a coordination of efforts by independent producers, and that coordination is what the incorporation statutes address.

Finally, statutes are voluntary. They cannot make any bargaining effort effective, if farmers do not wish to take steps to create an effective bargaining organization.

I hope you will (1) take an interest in the statutes under which bargaining organizations operate, and (2) look at the bigger picture, at statutes and bargaining as we develop the comparative study of cooperative incorporation statutes in Agricultural Cooperative Service and make those results available to you.

FLORIDA CITRUS MARKETING ARRANGEMENTS

INDUSTRY STRUCTURE

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I will provide a brief overview of the market structure of the Florida citrus industry focusing attention on the orange and grapefruit market, representing 96 percent of production under the Florida Department of Citrus regulations. Particular attention will be given to determination of growers' fruit prices. I will conclude with a brief description of the Florida Department of Citrus, the organization charged with regulation and promotion of Florida citrus products.

Citrus is produced in California, Texas, Arizona, and Florida. Florida production of 206.7 million boxes of round oranges last season accounts for about 75 percent of all U.S. orange production, while grapefruit production of 54.8 million boxes also accounted for about 75 percent of the U.S. production in the 1979-80 season.

The farm value of Florida citrus production came to more than \$1.0 billion in the 1979-80 season and accounted for 35.4 percent of the agricultural income in the State.

Roughly 832,000 acres are devoted to citrus production in Florida, and there are an estimated 18,000 citrus producers.

Citrus is a dynamic growth industry. Orange production last season was at a record high, more than double the production just 15 years ago. Grapefruit production of 54.8 million boxes last season is 57 percent higher than that recorded 15 years earlier.

The industry is characterized by a tight production, processing, and marketing structure, resulting from the long-run nature of the grove and processing plant investment combined with the geographical concentration of the industry.

Citrus marketing can be viewed in three broad stages: harvesting and delivery; production transformation, pricing, selling, and storage; and product distribution.

Once harvested, oranges go to either the packinghouse for sale as a fresh product or to the processing plant (Figure 1). During the past five seasons, about 7 percent of the orange production moved through fresh channels, while 93 percent moved through processed channels. About 98 percent of the oranges that move through the fresh channel is sold free on board (FOB) the packinghouse. Almost 37 percent of the Florida-produced grapefruit is sold through the fresh channel, and 63 percent moves through the processed channel. The terminal auction market, while once a significant marketing channel, handled about 2 percent of the annual fresh volume of oranges and 5 percent of the grapefruit volume during the past five seasons.

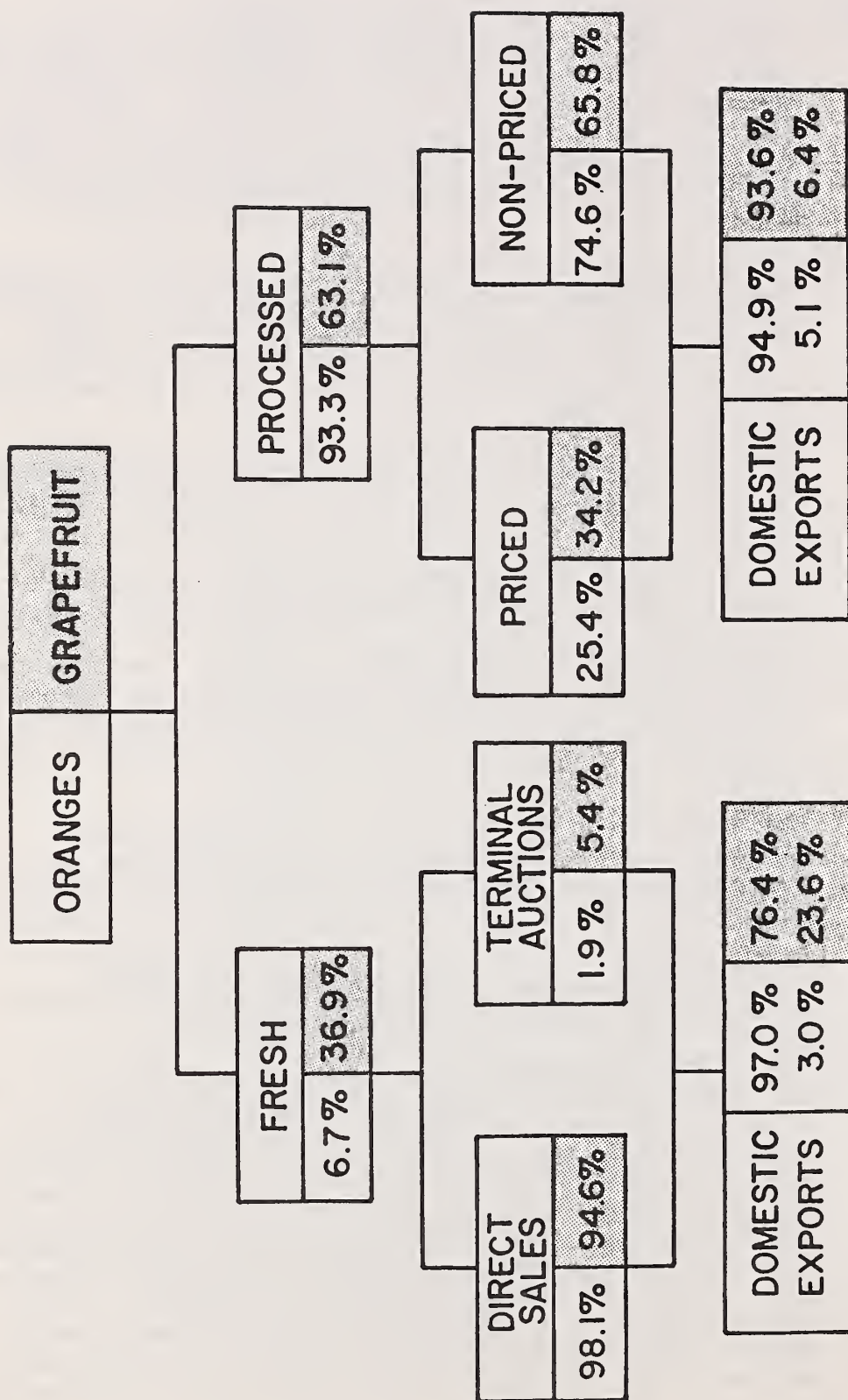


Figure 1. Structure of the Florida orange and grapefruit market

Almost all of Florida's fresh oranges are ultimately consumed domestically. Annually, during the past five seasons, only 3 percent of the fresh volume was exported. Conversely, grapefruit exports account for about 24 percent of the movement.

In addition to the fresh channel, during the past five seasons, roughly 76 percent of the orange crop was used for frozen concentrated orange juice production; 13 percent for chilled orange juice; 4 percent for canned single strength orange juice; and less than 1 percent for products like sections and salads. Roughly 26 percent of the grapefruit crop was used for production of frozen concentrated grapefruit juice; 24 percent for canned single strength grapefruit juice; 8 percent for chilled grapefruit juice; and 6 percent for sections and salads.

During the past five seasons, about 75 percent of the oranges moving through the processed channel was on a nonprice or deferred price arrangement, while about 66 percent of the grapefruit was sold on a deferred price arrangement. Payment for the fruit depends upon the FOB sale price of the final product and the processing expenses. This payment is referred to as the delivered-in price. About 25 percent of the oranges moving through the processed channel are priced. That is, the grower has sold and relinquished all interest in the fruit.

The nonpriced alternative is possible through either a participation plan or through a cooperative processor. Both fresh and processed fruit are sold on a nonpriced arrangement. Unfortunately, data on the percentage of fresh fruit sold under a nonpriced arrangement is not available.

There are advantages to each method of sale. Advantages of the priced alternative include: higher fruit prices if conditions are favorable, simple transaction, and immediate payment.

Advantages of the nonpriced (participation or cooperative) alternative are: minimal grower marketing time, an assured market for fruit, and an average price per pool period for the grower.

Growers are generally residual claimants. For example, growers choosing the nonpriced alternative are paid on the basis of prices of the various final products. Supply and demand determine the consumer price level and ultimately the delivered-in value of the fruit.

Although dynamic in nature, demand for citrus products can be estimated with reasonable accuracy. Therefore, our critical concern is supply. Supply in any given year will be determined

by crop size, juice yield, carryover, weather, and imports (fig. 2). Changes in any of these factors will affect supply and grower price levels. For simplicity, assume the product is utilized in the processed channel. Then the supply is transformed and added to the inventory. The amount of inventory carried is influenced by price expectations and warehousing costs. Price expectations in this case are used to reflect many factors affecting supply and demand. Retail consumption is influenced by consumer incomes, competing products, and retail prices. Conversely, retail consumption influences wholesale movement, while the FOB price influences retail prices. FOB prices are the basis for determining grower prices. Consider the following example of how the value of a box of oranges is determined.

Orange growers are paid for processing fruit on the basis of yield of orange solids referred to as pound solids (PS). An FOB price of \$3.10 per dozen 6-ounce cans translates into an FOB price per pound solids of \$1.275 (table 1). This was determined by dividing the price per dozen by the PS per dozen.

From the FOB price, processing costs and a 2 percent cash discount are subtracted. The processing cost is based on an industry estimated cost of \$4.25 per case of 48 6-ounce cans that translates into a cost per PS of 43.7 cents. The 2 percent cash discount is 2.6 cents per PS.

Assuming the grower participates in the by-product returns, revenue will be generated from pulp used as cattle feed and wash pulp solids used as a drink base. Based on a pulp price of \$115 per ton, processing costs of \$50 per ton, and yield of 4.1 tons per 1,000 boxes, pulp adds 4.5 cents per PS to the grower returns.

Assuming washed pulp solids (WPS) yield is 6 percent of orange solids yield and the price is equal to 66 percent of the orange solids price, the grower receives 4.0 cents per PS for WPS. A recovery factor of 1.015 percent provides an additional 1.3 cents per PS. Thus, the derived delivered-in value per PS is 91 cents.

If the cost to pick and haul the fruit to the processing plant is \$1.60 per box and there is 5.91977 PS per box, the value of the fruit on the tree is \$3.79 per box.

The keys to growers' fruit prices are the price for which the fruit can be sold in either fresh or processed form and the cost to process or package the product. The forces determining citrus fruit or citrus product prices are supply and demand. Citrus producers, like most agricultural producers, are price

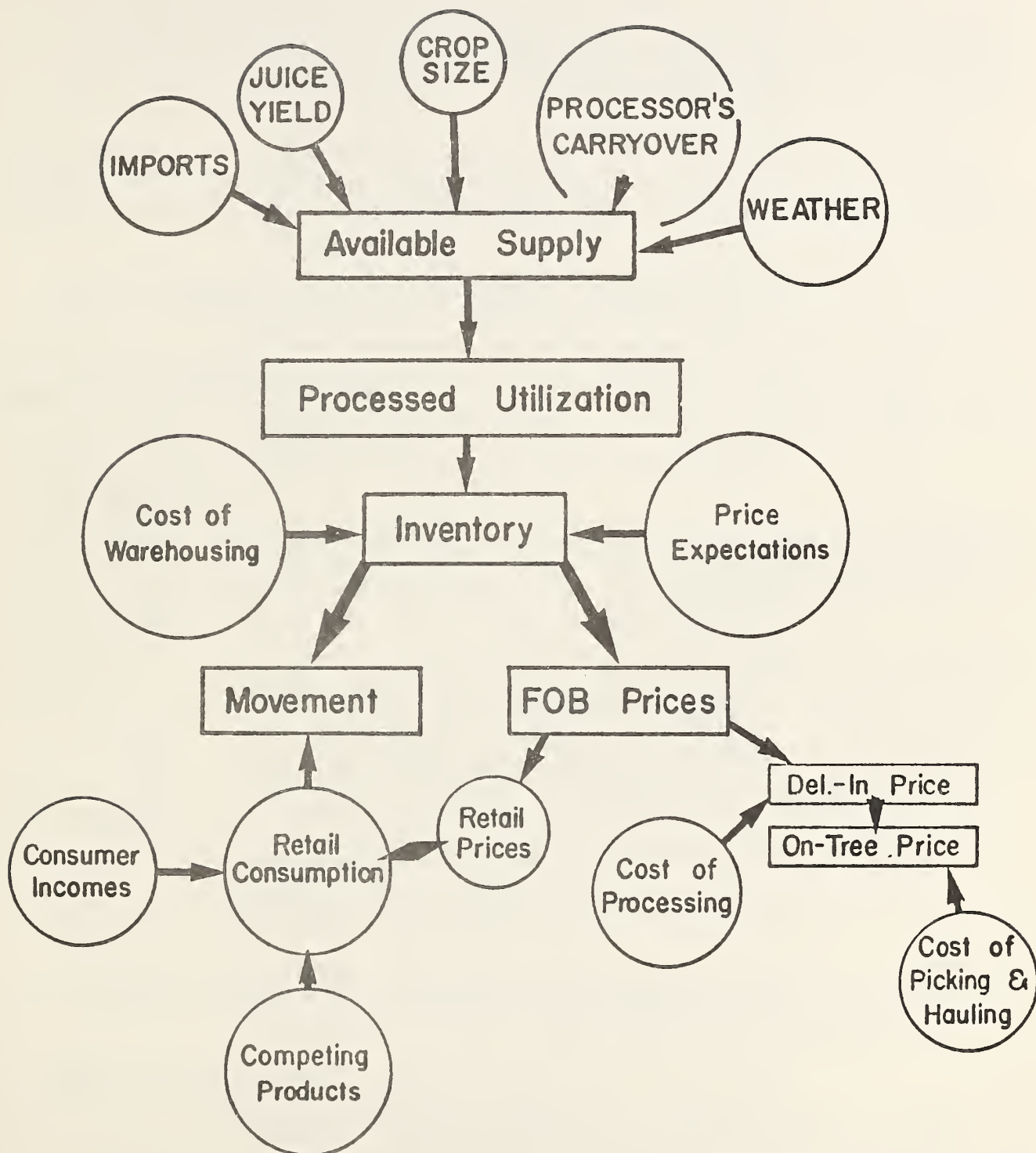


Figure 2. Major price determinants for Florida citrus products

takers. However, citrus producers have taken actions to improve their market position. A brief review of the development and responsibilities of a unique agricultural marketing organization, the Florida Citrus Commission, will show how.

In the early 1900's, the Florida citrus industry realized the need to control quality and inform consumers why Florida citrus should be a part of their regular diet. The industry attempted

Table 1--Estimated delivered-in and on-tree values for fruit used in frozen concentrated orange juice, 1980-81

Item	FOB price (\$/dozen 6-oz. cans)
	\$3.10
	dollars/pound solids
FOB Price	1.275
Subtract	
Processing costs ^a	.437
2 percent cash discount	.026
<u>ADD</u>	
By-product allowance	
Pulp ^b	.045
Wash pulp solids ^c	.040
Recovery factor ^d	.013
Derived delivered-in value	.910
	dollars/box
Derived on-tree value ^e	3.79

^aProcessing costs are assumed to be \$4.25/case 48 6-oz. and 18 cents/lb. solids for bulk frozen concentrated orange juice.

^bPulp price is assumed to be \$115.00/ton. Pulp processing cost is assumed to be \$50/ton, and pulp yield is assumed to be 4.1 tons/1000 boxes.

^cWash pulp solids yield is assumed to be 6 percent of orange solids yield, and price is assumed to be 66 percent of frozen concentrated orange juice bulk price equivalent.

^dRecovery factor is assumed to be 1.015.

^eOrange solids yield is assumed to be 5.91977/box, and pick and haul are assumed to be \$1.60/box.

various voluntary organizations and learned that those who chose not to participate in the quality control programs could adversely affect the efforts of those who did. Those who chose not to participate in the advertising and promotional efforts also received a free ride from those who chose to pay. The participants obviously wanted the nonparticipants to be included in the various programs. In 1935, industry leaders went to the Florida State Legislature requesting the power to organize so everyone who produces and sells Florida citrus must participate in quality control and promotion activities. At the same time, they requested the privilege to be self-regulated and agreed to pay the costs associated with the organization. As a result, the legislature passed a group of statutes known as the Florida Citrus Code. These statutes created the Florida Citrus Commission, a unique organization. First, there is no general tax revenue involved in the operation of the commission. It is in continuous contact with its constituents and provides the basic advertising and promotional program for the total industry.

The Florida Citrus Commission is a group of 12 citrus people who are appointed to 3-year terms by the Governor and confirmed by the Florida Senate. The commissioners establish policy for the Florida Department of Citrus and the staff charged with fulfilling policy.

The policies established by the commission are in three general areas--regulation, research, and promotion. In the area of regulation, policy is developed to maintain the integrity of the product and the industry. The integrity of the product is protected by adopting necessary regulations to maintain public confidence in Florida citrus products. For example, all Florida citrus processing plants and fresh fruit packinghouses receive continuous government inspection when operating, whereas plants outside Florida have no such requirement. Integrity of the industry is maintained by requiring licenses and bonds of those who do business in the citrus industry.

Research activities are of three types--scientific, economic, and market. Scientific research includes investigating ways to mechanically harvest fruit, seeking ways to improve the quality of both fresh and processed products, and developing new products.

Economic research is conducted to prepare supply and demand estimates for both Florida and competitive industries that assist in developing current and future marketing programs.

Market research is conducted to monitor the effectiveness of the industry's commercials and to continually develop data on domestic and international markets to keep the industry's

marketing programs current with varying consumer lifestyles and attitudes.

Continuous research is required, because the dynamics of the market are continuous. Critical to the industry's success is identifying changing trends as soon as possible so dollars are not invested in programs that have lost their effectiveness.

Promotional activities of the Department of Citrus include advertising on television and in newspapers or magazines. Special merchandising programs with retail supermarket and restaurant chains are also conducted. Assistance is provided to school districts starting breakfast programs where orange juice is a natural component. Publicity programs are conducted to place citrus features in magazines and television talk shows. All of these activities, with the exception of the school programs, are conducted in both domestic and international markets.

The activities of the Florida Citrus Commission are not cheap. The Department of Citrus has a staff of more than 200 and an annual operating budget of more than \$30 million dollars. We in the Department of Citrus like to think the activities of the department are responsible for part of the growth and development of the Florida citrus industry.

POOL PARTICIPATION PROGRAMS

Raphord Farrington
Manager, Florida
Agricultural
Marketing
Association

A large volume of citrus for concentrate in Florida, possibly as high as 85 percent, is marketed through some type of cooperative or private industry pool agreement. This involves the grower committing a portion of his crop to a particular pool either by volume or by designated tract. The group administering these pools is responsible for marketing citrus products--fresh fruit, processed fruit, juice, and frozen concentrated orange juice, as well as citrus by-products. The by-products represent about 8 percent of the value of the product. This primarily involves citrus pulp for cattle feed. Most contracts stipulate the grower participate in returns generated by sale of by-products.

Normally, these pool agreements are for 1 year or one citrus season, with some contracts having a continuation clause for both the grower and processor. The grower agrees to deliver the fruit to the processing plant by varieties on a schedule agreed upon by the processor and grower.

Most pools set forth tolerances on the number of boxes to be delivered, depending upon variety. For example, on early and mid-season oranges, there is a 0 percent tolerance above and a 10 percent tolerance below a designated number of boxes. On Valencias, there is a 10 percent tolerance above and a 0 percent tolerance below a designated number of boxes. This tells us right away processors or pools rarely ever want additional boxes of early and mid fruit, but they are perfectly willing to accept 10 percent additional volume of the higher quality Valencia orange.

Many of these contracts may be written to include all types of citrus whether for concentrated orange juice, grapefruit juice, or hybrid oranges. These contracts may be written also to include fresh fruit, if a particular cooperative or processor handles fresh fruit.

There have been many discussions about the wording or the types of contracts for citrus pools. The old comment heard quite often is, "The large print giveth and the small print taketh away." To solve this problem, one processor in the State has his entire contract set in bold-face type. Most of the contracts available in the State have the same basic provisions simply printed in different order or with only slight changes in the verbiage.

The following are some of the standard terms: The member agrees to assign all of the fruit delivered to the particular pool to the cooperative or the processor managing the pool. This is important for a number of reasons. The member is warranting good title to the fruit, giving the manager adequate

leeway in doing the best he can to return a good price to growers for their products. It allows the cooperative or processor to borrow money on the security of the product delivered, reducing the cost to the grower. Canning, processing, warehousing, financing, selling, and/or handling of fruit and products covered by contract shall be conducted as the cooperative or processor in its sole discretion deems advisable.

The pool pays the grower, in most cases, pick and haul charges when the fruit is delivered to the processing plant. Normally, the member does not receive additional money from the pool until the sale of the processed product. In years of high inventory, low prices, and slow movement of product, a grower may not receive final settlement for 18 to 24 months from the time the fruit was harvested. In years of low inventories, steady movement, and good prices, the grower could expect to receive total payment for his product within 12 to 14 months.

Cooperatives normally withhold a 10 cents per field box retain to use at the discretion of the cooperative for financing on capital items or for the operation of the cooperative. This retain is then returned to the member at the discretion of the board. Historically, some retains have taken several years to be returned to the member.

Members or participants also agree to pool fruit with other members and patrons at the discretion of the board or management to achieve the best returns for participants.

Participants who fail to deliver fruit assigned to the pool are assigned penalties. This may vary from pool to pool and, in some cases, the pool cooperative or management may elect to purchase additional fruit from another grower. This fruit is placed in the pool; and, at the end of the year, the grower could be assessed an additional charge to make up for the loss or could possibly receive a refund if the value of the product exceeded its anticipated value at the time the cooperative purchased the fruit. The cooperative could also simply assess the grower 25 or 50 cents per box of fruit that he failed to deliver. These charges are considered as liquidated damages and not as a penalty to the participant.

Most pools also have arrangements to handle fruit in excess of what the participant has contracted for. In the event participants have additional fruit, they notify the pool and, in most cases, this surplus fruit is placed in a designated surplus pool to be sold only after all the contracted fruit has been processed and sold. The settlement of the regularly established pools will take precedence over the settlement of the surplus pool.

A clause provided in the contracts excuses either party from performance by an act of God, strike, lockout, embargo, or acts of the public enemy making such party's performance impossible.

There is a very competitive edge in the citrus industry, . . . challenging cooperative pools and private processor pools to do an outstanding job of marketing to give the grower a high return for his product. Growers have the annual option to review their contracts and to review their returns from a pool agreement from previous years to make their decisions as to whom they want to participate with for the coming season.

Growers can also reserve a portion of their fruit to sell on the open market or to participate with at a later date, depending upon supply, demand, and marketing conditions. The key to the success of these programs is the cooperatives' and the processing plants' management and sales ability. They must operate an effective, efficient plan. They must have an effective sales team to move the finished product as rapidly as possible and pay growers for their participation.

DAIRY BARGAINING

An OVERVIEW

James B. Roof
Senior Agricultural
Economist

Agricultural
Cooperative
Service

It is appropriate on the 25th anniversary of these conferences to put dairy bargaining into perspective. Dairy is, unfortunately, the only major agricultural commodity group in which farmers, through their organizations, control the marketing of a significant part of their farm output beyond the farm gate. I say, unfortunately, because I believe producers of other commodities could, if willing, achieve the competitive market power of dairy producers and, as in the dairy industry, both producers and consumers would benefit.

All of this is not to say that everything is rosy in dairy bargaining. It should also be clear that the nature of milk production and its perishability has encouraged, even forced, dairy farmers more than others to band together. Milk is produced in almost every part of the country. Grade A milk, about 87 percent of all milk, is a homogeneous commodity, and milk from one farmer or a group of farmers can compete evenly with milk from others for a market, any time and any place. Further, it is produced every day and must be sold off the farm at least every other day. As my dairy friends say, you have to sell it or smell it everyday. No wonder dairy farmers have worked so hard to build a countervailing and secure power in the marketplace.

Let me briefly put cooperative dairy bargaining in context. Farmers marketed 125 billion pounds of milk worth more than \$16 billion on the farm in 1980. Cooperatives marketed about 80 percent of this through basically three types of cooperatives: manufacturing, bottling, and raw milk sales or "bargaining" cooperatives. I will discuss bargaining cooperatives.

We define a raw milk sales, or bargaining cooperatives as selling more than half of its members' deliveries in raw form to other plants and dealers. Some 270 of these cooperatives handle more than 60 percent of the Nation's supply. Another 20 percent is handled by about 150 manufacturing and 30 bottling cooperatives that primarily process their members' milk into fluid or manufactured products. (In dairy, bargaining cooperatives do not bargain for or represent individual members of other types of cooperatives, except in cases where both types belong to federated bargaining cooperatives.

Now let's zero in on how our dairy bargaining co-operatives are organized. We in Agricultural Cooperative Service make an important distinction between two types of bargaining cooperatives, minimum service and full service.

About 250 minimum service groups market 10 to 15 percent of all milk supplies. They market all their members' milk in raw form and have a minimum investment in facilities, usually just an

office, sometimes a lab or milk transfer station. Any seasonal or weekend milk supplies not needed by their regular customers must be marketed to other cooperative or noncooperative handlers operating manufacturing plants. Minimum service cooperatives do not usually own or operate farm bulk milk pickup trucks, although they often direct the movement of members' milk. In most cases, sales are limited to one or two customers, while member supplies are limited to a few counties nearest the market served.

About one-third of the smaller cooperatives primarily in Wisconsin and Minnesota are milk receiving stations, and most ship raw milk received to larger cooperatives for processing. There is usually a question whether these cooperatives should be called bargaining, but for lack of a better term, we call them that. Another one-third are in the Northeast, and most of these are affiliated or federated with larger cooperatives that perform a full range of market services, including plant operations. Some of these cooperatives switch their affiliations from time to time, as they seek advantageous positions. The last third of these 250 are scattered around the country. We believe many of them may be captives of dairy businesses that have encouraged the growth of small independent groups to offset the market strength of the large regional cooperatives.

Membership in minimum service bargaining cooperatives, as opposed to nonmember status, benefits producers by introducing a degree of market security. Although the number of members and volume of milk may be relatively small, management can focus on efforts to deliver whole tankloads of member milk to alternative markets, with all members sharing in the costs and benefits. The cooperative usually performs other important marketing services, such as checking on weights, making butterfat tests of member deliveries, and assisting producers to meet sanitary requirements at minimum cost to the producer, usually for less than 10 cents per hundredweight, or less than seven-tenths of a percent of the gross milk value.

On the other hand, some analysts have observed persistent problems inherent in small minimum service cooperatives in today's milk market. Interestingly, these problems often parallel those of fruit and vegetable bargaining associations described in bargaining conference proceedings.

The first problem is that, even if members produce a significant portion of a single local market's milk supply, they probably cannot always exercise the countervailing market power to achieve an adequate return for members' milk. Handlers may successfully resist the cooperative's efforts to

obtain prices above the Federal order minimum; because, with bulk handling of milk, the interstate highway system, and efficient large capacity diesel truck tankers, the relevant supply area for raw milk has been expanded. In other words, these cooperatives are not price setters and have little or no impact in the market except in a negative sense. By that, I mean they sometimes limit the cost recovery efforts of the full service cooperatives.

A second problem with minimum service groups occurs in markets where they are not the dominant cooperative. They do not equitably bear their fair share of the cost burden of adequately supplying the total fluid market. Their members neither provide capital needed to finance balancing plants nor share in the high costs of these plants during periods of low volume plant operations. You see, if cows give milk 7 days a week, as they do, and plants only bottle milk 4 or 5 days a week, you have to find a home other than the bottle for 2 or 3 days' milk. This problem is intensified during the spring flush of milk production. Other types of dairy cooperatives maintain facilities with capacity to handle weekend and seasonal surpluses, and their members share the burden of financing them.

Full service dairy cooperatives are the other type of bargaining group. There are about 20 today, and they alone market about half of the nation's milk supply. We define these as cooperatives that market or bargain, if you prefer, more than half of their members' production, but through ownership of manufacturing or supply balancing plants, stand ready to offer buyers a tailored supply of milk. Most of these cooperatives are multistate or interregional. They own or contract for much of the farm-to-plant hauling, and offer a full range of on-farm and customer services.

Many of these cooperatives were formed during the past 20 years, through consolidation of smaller full service, minimum service, manufacturing, and bottling cooperatives. We foresee a continuation of this trend, even some consolidation among them, but only a modest increase in the percent of milk marketed.

These cooperatives, controlling significant portions of total milk supplies on a regional basis and with the internal ability to provide alternative milk markets for members have created an element of countervailing market power unmatched by other commodity groups. This results in generally reasonable and stable milk prices, both for producers and consumers. Both dairy farmers and buyers have responded to the inducement of secure and stable prices by investing heavily in their farms

and plants to increase labor productivity. Also, handler-buyers have benefited costwise from the large cooperatives' ability to efficiently organize raw milk pickup and delivery routes and to efficiently perform other market-wide services.

In the dairy industry, a single full service cooperative negotiates with a few large buyers within a strong framework of administered minimum prices. An almost daily contact between buyer and seller is required. In this context, there are frequent discussions of requirements for changes in prices and terms of sale. Formal written price announcements containing few surprises are usually mailed out to buyers on a monthly basis. This, of course, is a long way from all night annual bargaining sessions with dealer groups.

Even with the depth of organization and marketing strength dairy farmers have achieved through their cooperatives, there are nagging problems. The most serious is the need for full service cooperatives to find a means of equitably sharing the cost burden of market balancing plant operations with all producers. Because of the seasonal and weekend variations in milk supplies going through these plants, they are rarely profitable. Cooperatives must finance and operate them from net margins, member dues, and/or service charges on fluid sales to handlers. However, their ability to levy adequate dues or service charges is severely limited by competition from nonmember producers and often from minimum service cooperatives who choose not to bear their share of the costs of servicing the total market.

Another serious problem confronting large regional full service cooperatives is how to achieve equitable pool prices among many members scattered over a multistate area. The failure of many cooperatives to analyze and come to grips with this problem is a major reason for the growth or persistence of minimum service cooperatives or nonmember producers.

This leads me to touch briefly on the Federal Milk Market Order System and the Milk Price Support Program. You may wonder why I have not dwelt on them earlier. My cooperative economist colleagues from other commodity areas keep telling me if their commodities had big powerful government programs undergirding their cooperative pricing efforts, they'd look good, also. What they forget, and what I want to emphasize here, is these programs exist only because dairy farmers working together in their cooperatives, and their dairy cooperative working through the National Milk Producers Federation and the National Council of Farmer Cooperatives created and maintained them, not because of heartfelt generosity from most Congressmen. They represent

a truly cooperative effort of combining the interests of farmers, handlers, and consumers to provide market stabilizing programs in the public interest.

The mutual cooperative bargaining efforts of dairy farmers to overcome problems related to the unique nature of milk, its production, and fluctuations in handlers' supply needs should properly be looked on as an example for all farm bargaining efforts.

A VIEWPOINT

E. L. Wise
Southern Region
Manager

Associated Milk
Producers, Inc.

A few years ago, we restructured Associated Milk Producers, Inc., (AMPI) in a successful effort to keep it from splitting into three different cooperatives. As a result, we have structured practically autonomous regions within AMPI, not from a corporate but from an operating standpoint. So my remarks will not reflect any views other than those of the Southern Region of AMPI. The figures I'll give you on the numbers of producers and pounds of milk will only represent the Southern Region.

The Southern Region of Associated Milk Producers is a rather large area east of the Continental Divide in Colorado, including all of New Mexico, Texas, north Louisiana, Arkansas, western Tennessee, northern Mississippi, western Kentucky, southern Missouri, Oklahoma, Kansas, and a small part of Nebraska. Its size is almost astronomical and produces unique logistical problems. El Paso is closer to Los Angeles than to Houston. When you have milk in El Paso, except for a small condensing unit placed out there about a year ago, it is 670 miles to the closest manufacturing plant. El Paso has about 9 million pounds a month in Class I sales and 33 million pounds of production.

Our major markets are Albuquerque, Dallas-Fort Worth, San Antonio, Houston, Little Rock, Memphis, Oklahoma City, and Wichita. For four of these markets, we do not produce as much as we sell. Three of these cities are among the 10 largest in the United States. The Southern Region represents about approximately 80 percent of the Class I sales in these markets. As the percentage of a total market increases, so do problems. A small no-service cooperative or an independent producer has a tremendous advantage over a large regional cooperative performing the balancing functions within a market. To balance marketing in the Southern Region, we have eight manufacturing plants producing butter, cheese, powdered milk, and ice cream blends. The investment in these eight plants is \$24 million. The two plants built recently represent a larger share of investment than those built in the 1950's. Due to inflation, a new plant planned for El Paso, Texas, will add about 20 percent to our total plant costs.

Much of the capital invested by member dairymen has been used to purchase a fleet of about 400 tractors and trailers for collecting and transporting an average of 400 million pounds of fluid milk a month. An investment of \$24 million, almost identical to that for plants, is needed to perform the balancing function. We do not have the ability to equally distribute those costs, although we were able to pass them on to the industry. Independent producers or members of small cooperatives are not served as we serve our members, but receive the same price for milk. Consequently, we are sometimes outpaid in the country, although we've recovered all the cost of operating and balancing the supply of milk in a given area.

To balance supply, AMPI dairymen have created a uniform flow of milk to the markets, allowing processors to operate their plants at the most efficient level consistent with their sales. This is costly. Several other AMPI services are raw milk quality control, removal of product from processing plants, antibiotic control, uniform pricing, competitive credits, and 7-day receiving credits.

In those deficit areas in the Southwest, the farmer simply cannot afford the luxury of having a union contract and a plant operating 5 days a week, a practice that caught on when unions became prevalent in milk plants during the mid-1950's through the late 1960's. So we devised the practice of adding a 19-cent per hundredweight hauling surcharge for handlers who chose to close a plant 2 days a week. The Houston, Corpus Christie, and the lower Rio Grande Valley handlers are charged 29 cents per hundredweight to compensate for long supply-to-market distances. That area is still growing at an average rate. The lowest population increase among the major markets in the Southern Region from 1970-1980 was in Oklahoma, growing at a rate of 12 percent. Houston now covers all of Harris County, about 4-1/2 million people. The number of housing permits issued in Houston in 1979 and 1980 led the Nation. Although per capita consumption may be declining, the market is growing.

Our 7-day receiving credit is determined by taking the lowest single day's receipt in a 7-day receiving period starting Monday of any given week, multiplying it by 7 and then by 25-cent per hundredweight. The credit is financed by a 25 cents charge on handler's total receipts. If a plant closes for 2 days, those days with no receipts eliminate any credit for the week. If a plant operates for 6 days, the day closed would still cost 25 cents per hundredweight on the total volume of milk received for the week. If it receives milk 7 days a week, but cuts back receipts on 1 day of the week, the 25-cent

credit for the full week would be established by receipt on the low volume day. That can amount to a tremendous amount of money. I personally don't feel the 25-cent figure is high enough. I think it ought to be at least 50 cents, to even out the flow of milk into processing plants in a better way than the current system.

About 4,600 dairy farmers produce about 4.8 billion pounds of milk annually in the Southern Region. From just one dairy farmer, we pick up three 5,600-gallon trailers one day and four the next. The Western Division, the western part of Texas, all of New Mexico, and a southern piece of Colorado, has the largest number of producers and produces 25 percent of all of the milk in the Southern Region. That's huge, almost unbelievable, in size. We get on the average about 9,000 pounds of milk a day from each producer in the area. Relate this to smaller dairy farms in some areas, and you can see that changing from a bargaining to an operating cooperative and bottling milk in areas may or may not be as far away as we would like.

All our programs, including over-order pricing and service charges, allowed us in 1980 to pay to dairy farmers under 11 Federal orders an average of 16 cents above the Federal order blend price for the combined orders. As a bargaining cooperative, our group incurred all costs of moving milk within that huge area, handling it, and operating and owning the manufacturing plants, and still gave a 16-cent return to dairy farmers. Unfortunately, other cooperatives were returning 15 and, in some cases, 20 cents, if small enough, per hundredweight in given periods of the year, especially in the spring, when we were operating at maximum capacity.

Our plants will accommodate about 25 percent of the total production in the Southern Region, and that's not quite high enough. In the spring, we still must use a sister cooperative, Mid-America, to move milk out of northern Arkansas to relieve the pressure on our plants and go into one of its southern Missouri plants. It has also enabled us to have common marketing agreements. We market milk out of northwest Kansas through Mountain Empire Dairymen into Denver and with Mid-Am in Memphis, Tennessee, and Texas. We are the bargaining agent for all of Mid-Am's milk in the Southern Region of AMPI, and it, in turn, represent AMPI for milk marketing in the old Ozarks area of the St. Louis-Ozark market.

We feel our marketing program has been successful. We collected a little in excess of \$24 million in over-order prices. Our membership increased by about 6 percent this year, the first influx since 1967.

The percentage of milk marketed through the 11 Federal orders has increased from a low of 67 percent to a current level of 76 percent. Our main reason for not being particularly interested in bottling milk and becoming a full line operating cooperative is two-fold. The Southern Region was basically the old Milk Producers, Inc., (MPI), the genesis for today's AMPI. In that group of cooperatives, there was a bottling cooperative, the Goldspot plant in Enid, Okla., managed by Ralph Goley. We still own the plant and bottle milk there. It is a profitable operation. If we had to build that plant today, we could never recover our investment costs.

No one thinks processing and distributing bottled milk is very profitable. In the future, we are looking toward vertically integrated companies like Safeway; Kroger; H. E. Butts, the largest independent grocer in Texas; Winn Dixie; Associated Grocers; Jackson Ice Cream Co. that bottles for the Dillon stores; College Club; Clardies; Braums; Schepps; Preston; and Southland. The largest handler in Oklahoma also fits into this category. We have two other handlers in Oklahoma, Borden and Co. and Beatrice Foods. Farm Fresh was conceived about 6 years ago by a group of grocerymen who had an idea whose time had come. They were the Redbud group of grocers in Oklahoma who purchased a bankrupt bottling plant and operated it for their own house brand. All have stores where they sell their own milk. In the Southern Region alone, 2,586 stores are owned by the companies that bottle the milk, representing 30 percent of the Class I sales. The milk industry in our area will have more companies owning their own bottling plants, but so far, independent processors have been dropping by the wayside. We fully expect this trend to continue for at least the next 15 years.

Experience with our bottling plant in Enid, Okla., has not brought us to the point of viewing capital intense bottling and distributing plants as attractive. It takes a great deal of capital to put in a modern bottling and distribution plant. To be competitive, a modern plant is necessary. The old independent plants with the capacity to bottle 3-4 million pounds of milk a month are useless. Newer ones can be bought if financing can be obtained.

We anticipate larger plants. Safeway should complete a new bottling plant in Houston, Texas, this year. Kroger has done the concrete work on building a plant in Houston, Texas. Bear in mind, there's no milk in Houston, Texas. Houston uses about 100 million pounds of milk per month. We haul about 150 transport loads of milk per week into Houston. Two huge companies are building milk plants in Houston. In the eight counties surrounding Harris County only 8 million pounds of

grade A milk are produced. Forty percent of all the milk sold in Houston is produced elsewhere. We feel our role as a cooperative is to offer service and be paid for it.

A VIEWPOINT

James McDowell
Vice President
of Operations

Dairymen, Inc.

Dairymen, Inc. is a full-service organization. According to one definition, that means we're one of the favorite targets of the Federal Trade Commission (FTC) and the Justice Department! Dairymen, Inc. (D.I.) is made up of 6,500 dairy farmers in the southeastern United States, for whom we serve as a marketing organization. We also have a wholly-owned subsidiary called Flav-O-Rich, Inc., with 22 fluid milk processing plants operating throughout the Southeast. We work for, and in the best interest of, dairy farmers, to put the most money possible into their pockets.

Bargaining is when two groups of comparable or equal strength sit down to determine the terms of trade. If one group does not have a meaningful presence in the marketplace or meaningful strengths to countervail those of the other group, bargaining does not occur, but something more like acquiescence takes place.

Two of the elements for effective bargaining are tremendous member support and a strong financial base. Since our organization was put together in 1968, we have stressed our financial credibility. We have worked hard to build and hold our financial base to enable us to grow, progress and accomplish our goals. We have a double-A rating from Standard and Poor. To do this, we have used some innovations such as leverage leasing. We have done some things similar to PRO-FAC Curtis Burns in setting up some of our operations, and we anticipate doing more innovative things in finance. We need qualified personnel to be effective bargainers. We believe strongly in political action programs as being essential to bargaining. D.I. has an aggressive board of directors establishing policy, and aggressive management carrying it out. Management does not try to get involved in the board's politics, and the board doesn't get involved in management. This works very well.

We entered the bottling business to better utilize our available assets in the Southeast, and to enhance our dairy farmers' bargaining position.

As we looked at the market, we saw some things happening we didn't particularly like, such as the market moving away from the dairy farmer. We wanted to have an input in controlling our destiny. We were concerned that the major handlers were going out of business. Sealtest, Borden, Pet and Beatrice--who had been the backbone of the milk processing business--were

getting out of fluid milk processing, leaving a void. In our particular area, we were no longer selling milk to the Kraft Co., in Chattanooga, Tennessee, New Orleans, Nashville, Louisville and Atlanta. So in many situations, we are only selling to major dairy customers or processors in markets that have milk commissions or quota systems.

The chain stores are coming! We will continue to sell them milk, and see a great opportunity for us to process for their private label in areas they are not able to serve from their processing plants. We see some areas where we can work together, make our dairy farmers money, and maintain our bargaining position.

As the chain stores move into this arena, there is a void left in rural communities, where chain stores are not present and local independent bottlers have gone by the wayside. There is a segment of the market we feel we can serve effectively, make money from, and serve the public interest.

With this market shift and the change in sales pattern, we're trying to protect our investment. Dairy farmers have about 90 percent of the total investment in the dairy business. Who has a better right to be in the bottling industry than they do? We're trying to protect our investment in production with a small additional investment in the marketplace. The milk we produce is not worth anything unless there is a market available.

Consumers are our ultimate customers. If we're going to be in the marketplace, we have to know what they want, their likes and dislikes, and what makes them tick. We have to affect their thought processes and sell our product.

The best way to determine our own destiny, to stabilize the market, and lead the industry is to get into fluid milk processing.

Dairymen, Inc., entered the processing business because there are profits to be made, although the margins are slim. We feel dairy farmers are not choosing farming as a way of life anymore, but as businessmen. They're committed to bottom-line operations, and we feel strongly that processing fluid milk is a part of that philosophy.

Another reason we took a strong, hard look at fluid processing was a lack of confidence in government programs. Government is made up of people, and people change. We were not willing to place our livelihood and future totally in the hands of government programs. In the southeastern part of the country,

we are interested in the fluid milk market. Our 22-23 processing plants have more than 85 percent Class I usage on a year-round basis. We're not as interested in butter, cheese, and powder as dairy farmers in other parts of the country. What we really want from the government is an atmosphere in which we can work and do our thing. We'd be very happy to take our chances in the marketplace, to develop our sales, and handle our surplus under a free enterprise system.

Whatever gets your attention will end up getting you. Many times, support price programs and different promises get attention...we get lax...lay back... count on them...and they end up getting us.

A country fellow down in Kentucky says, "Whoever controls the surplus of a commodity is going to establish the price of that commodity." The government has controlled the surplus in the milk business and will establish the price, and we're not willing to totally rely on that--D.I. members are willing to help themselves!

Another reason D.I. looked strongly into the processing industry was the feeling that we've got to develop the changes in our future. As a result, we've made our promotion and advertising program a subsidiary of Dairymen, Inc. It's called Promotion Services, Inc. (PSI). We've coordinated all the money we would spend in promotion and advertising to obtain maximum usage. This year through PSI we're going to spend in excess of 16 cents per hundredweight in our own advertising programs.

Flav-O-Rich is now marketing a new product called Flav-O-Rich Light, a lowfat milk with a new carton and design. With heavy promotion, it's really sweeping through the South, and we're proud of it.

We feel strongly the 1980's will require our participation in determining prices in the marketplace. We're moving from a surplus supply to a tight supply situation, maybe with deficits in some areas. And we've had to adjust our thinking to accommodate the changes.

The significant difference between a bargaining cooperative with a processing plant and one without it is competition. Customers who perceive that the combined activities of such a cooperative give it an advantage understandably resent the situation. We have to dispell the notion that D.I. has any unfair advantage by owning processing plants. We make absolutely sure that all Flav-O-Rich plants pay exactly the same price and receive the same terms as all other customers in

a given market. Outside accounting firms do a special audit every year and prepare a certified statement for our customers that Flav-O-Rich did not have an advantage on price, service, or terms of trade over anyone else.

As a cooperative that operates processing plants, we have to become statesmen in the processing industry, dispel the image that we're price merchants, and proclaim that we will not foster the idea of a special break to anyone or engage in price fixing. We will compete to earn a fair return on the assets that we have employed.

While other cooperatives see their role as one of marketing member milk to processors, we see our processing subsidiary as having the role of producing profits by marketing member milk.

We feel free enterprise works best and the public interest is best served when farmers have access to resources comparable to those of others with whom they have to deal in the marketplace. This fact was recognized by the authors of the Capper-Volstead Act many years ago. It was true then when farming operations were smaller and truer yet today when farms are larger and more complex.

ECONOMIC IMPLICATIONS OF THE MICHIGAN BARGAINING LAW 1/
Robert A. Skinner, Agricultural Economist
Agricultural Cooperative Service

In 1972, Michigan's Agricultural Marketing and Bargaining Act (P.A. 344) was passed. The purpose of this law is to provide a legal basis for establishing a more equitable mechanism for negotiating price and nonprice contract terms between agricultural producers and the handlers of their products. Presently, P.A. 344 applies to only fruit and vegetable crops for processing.

P.A. 344 is considered the most comprehensive bargaining legislation in the Nation. Important features distinguishing this act from existing Federal and most State statutes is its unique combination of (1) exclusive agency bargaining, (2) standards of fair practices, including a good faith bargaining requirement mutually applicable to buyers and sellers, and (3) mediation services and compulsory arbitration in case of bargaining impasses.

At both State and national levels, agricultural leaders are exploring legislative alternatives to enhance the bargaining position of producers. The Michigan law is looked upon by some as a possible paradigm for new State or Federal bargaining legislation. The act has become a controversial and emotional issue with some growers and processors, therefore, the Michigan State Horticultural Society requested Agricultural Cooperative Service to evaluate the impact of P.A. 344 on the fruit and vegetable subsector.

It is difficult to evaluate the performance and impact of bargaining associations. The difficulty lies in separating the effects of bargaining from other market influences. One of the more important measures of performance is price. Yet, price is not the only objective of bargaining associations and the examination of price alone produces an incomplete picture. However, price data are available and quantifiable. A major portion of this study involves price analysis.

Objectives

The basic purpose of this study is to examine some of the economic impacts of P.A. 344 on Michigan's fruit and vegetable subsector. Although there are many potential impacts of P.A. 344, this study focuses on the following questions:

(1) Are Michigan fruit and vegetable grower prices significantly higher after the enactment of the law?

1/ This presentation is based on an Agricultural Cooperative Service Research Report (forthcoming) by Robert Skinner and Martin Blum. For additional information please refer to that report.

- (2) Are Michigan fruit and vegetable grower prices significantly higher than those of other major producing States?
- (3) Are Michigan fruit and vegetable prices less variable after the enactment of the law?
- (4) Are Michigan fruit and vegetable prices less variable than those of other major producing States?
- (5) Are there changes in market structure variables since the enactment of the law?

In answering these questions, asparagus and apple crops were examined. These crops were selected for two reasons: (1) They were continuously under the jurisdiction of the act and (2) they had a sufficient number of growers and processors to indicate changes over time.

Data used for these analyses were deflated by price indices where appropriate. In the analysis of asparagus, the time period represented before the act was 1960-73 and after the act was 1974-79. For apples, these time periods were 1960-74 and 1975-79, respectively.

Prices

To determine the impact of prices from passage of P.A. 344, we examined the average grower price and average annual change in grower prices of asparagus and apples before and after the enactment of the law. For asparagus, the average price per ton before P.A. 344 (table 1) was \$372.72 compared with \$472.53

Table 1--Average grower prices and average annual rate of price change for Michigan asparagus and apples for processing, selected periods.

Commodity	Average price 1/	Signifi- cance 2/	Annual average change in price 1/	Signifi- cance 2/
	(Dollars per ton)		Percent	
<u>Asparagus</u>				
1960-73	372.72		3.01	
		*		N.S.
1974-79	472.53		8.47	
<u>Apples</u>				
1960-74	48.99		11.47	
		N.S.		N.S.
1975-79	61.21		10.44	

1/ Grower prices are in constant dollar terms, 1967 = 100.

2/ * - Significant at the 95 percent probability level.

N.S. - Not significantly different. Source: Computed.

after the act. A t-test indicated that average grower prices were significantly higher after the enactment of the law ($\alpha = 0.05$). The average grower price per ton for apples before the act was \$48.99 compared with \$61.21 after the act, a difference not statistically different at the 95% probability level.

The average rate of change in grower prices for the two time periods was also examined. For neither asparagus nor apples was the rate of change between the two periods significantly different ($\alpha = 0.05$).

To determine whether bargaining under P.A. 344 enhanced the grower prices of asparagus and apples in Michigan relative to other major producing States, average prices were compared. (table 2) Since the enactment of the law, average grower

Table 2--Average grower prices and average annual rate of price change for asparagus and apples, selected States, selected periods

Commodity	Average price 1/ (Dollars per ton)	Signifi- cance 2/	Annual average change in price 1/ Percent	Signifi- cance 2/
<u>Asparagus</u> (1974-79)				
Michigan	472.53	*	8.47	N.S.
Washington	357.32	*	5.59	N.S.
California	344.04		4.98	
<u>Apples</u> (1975-79)				
Michigan	61.21	N.S.	10.44	N.S.
New York	53.17	N.S.	5.01	N.S.
Pennsylvania	57.76	N.S.	2.65	N.S.
Virginia	53.17	N.S.	10.62	N.S.
West Virginia	54.79	N.S.	4.80	N.S.
Washington	74.08	N.S.	10.90	N.S.
California	66.29		-5.68	

1/ Grower prices are in constant dollar terms, 1967 = 100.

2/ * - Significant at the 95 percent probability level.

N.S. - Not significantly different. Source: Computed.

prices for asparagus in Michigan are statistically greater than average grower prices in Washington or California ($\alpha=0.05$). However, this significance may not be a result of the act. Historically, asparagus prices in Michigan have been higher than those in other States. This difference has been attributed to differences in harvesting techniques. Thus, the average rate of change may more accurately reflect price differences. Analysis using annual average changes in price indicates the rates are not significantly different ($\alpha=0.05$) among States. The average price and average rate of change in prices for apples in Michigan do not differ significantly from those in other major apple producing States.

In the previous analysis, factors that influence grower prices of asparagus and apples are not considered. Price changes are associated with changes in supply and demand conditions. To determine the influence of supply and demand factors on grower prices for asparagus and apples, price equations were estimated. Equations for both asparagus and apples included factors that were hypothesized to influence grower prices. The final equations were chosen on the basis of explaining the largest amount of variation of price (R^2 criterion). The equations also utilized a dummy variable to distinguish before and after the act. This variable is restricted to two values, one for all years before the act and another for years after the act. In this study, the values for the dummy variable were 0 and 1, respectively. A positive and significant coefficient on the dummy variable would imply prices are higher net of other factors which influence prices. The final specification of the model and its associated parameter estimates follow.

The price equation for processed asparagus is:

$$\hat{P}M = 368.91 - 0.0013 Qus^* - 1.0752 STKS + 12.1955 FPM^* - 55.1348 Dum$$

$$(0.0006) \quad (0.5905) \quad (2.7617) \quad (30.1574)$$

$$\bar{R}^2 = 0.85$$

$$D.W. = 1.94$$

Standard errors appear in parentheses.

Where:

PM = Average grower price for processed asparagus in Michigan deflated by prices received index for vegetables, dollars per ton.

Qus = Quantity of processed asparagus, United States, tons.

STKS = Cannery and distributors stocks, January 1, United States, million pounds.

FPM = Average grower price for fresh asparagus in Michigan deflated by prices received index for vegetables for fresh market, dollars per hundredweight.

Dum = Dummy variable distinguishing before and after the act.

This equation explained 85 percent of the variation in grower price. Quantity and the fresh price of asparagus are significant factors explaining price ($\alpha=0.05$). In addition, the direction of influence is as expected. The results indicate the dummy variable is not statistically different from zero. Therefore, one may conclude that the higher prices since 1974 were not statistically associated with the Michigan Agricultural Bargaining Act.

The price equation for processed apples is:

$$\hat{P}M = 18.66 - 0.0517 Q_m + 11.52 FPM^* + 6.33 Dum$$

(0.0339) (2.7732) (7.0648)

$$\bar{R}^2 = 0.71$$

$$D.W. = 1.91$$

Standard errors appear in parentheses.

Where:

PM= Average grower price for processed apples in Michigan deflated by prices received index for fruit, dollars per ton.

QM= Quantity of apples produced, Michigan, million pounds.

FPM = Average grower price for fresh apples deflated by price received index for fruit for fresh market, cents per pound.

Dum = Dummy variable distinguishing before and after the act.

This equation explained 71 percent of the variation in grower price of apples for processing. Quantity and the fresh price of apples were variables included to explain the price of processed apples. Although the direction of influence is as hypothesized, only the fresh price of apples was statistically significant ($\alpha=0.05$). The coefficient of the dummy variable was not statistically different from zero ($\alpha=0.05$). This finding gives additional support to previous results, which indicates prices of apples for processing since 1975 have not been significantly higher since the enactment of P.A. 344.

Price Stability

A statistical test, known as Bartlett's test for homogeneity of variances, was used to examine price stability over time. The results of these tests indicated no statistical differences ($\alpha=0.05$) in variance of prices for asparagus and apples for processing either in Michigan, before and after the act, or among major producing States after the act.

An alternative statistic, the coefficient of variation (C.V.), was computed to examine stability. This statistic examines the relative variation of a variable. Specifically, the standard deviation is expressed as a percentage of the mean. The C.V. was computed for quantity, grower prices, and gross income for

asparagus and apples for processing in Michigan (table 3). The results indicated that the relative variation in quantity, price, and gross income for processed asparagus in Michigan was greater after the act.

For apples, the relative variation in quantity paralleled that of asparagus. In contrast, the relative variation in price and gross income was less after the act.

One interpretation of these findings of increased variability in quantity processed and a concomitant decrease in variability of price and gross income for apples is that the bargaining unit and/or the act was effective in achieving some stability. Although the same relation does not hold for asparagus, one might infer that without that act and/or bargaining unit the relative variability of price and gross income could be much greater.

Structural Changes

In addition to examining price data, market structure variables were considered. Structural variables included number of growers and processors and the share of the market controlled by the largest processors.

Table 3--Variability estimates of quantity, price, and gross income of processed asparagus and apples for Michigan, selected periods

	<u>Coefficient of variation</u>		
Commodity/period	Quantity	Price	Gross Income
<hr/>			
	(Percent)		
<u>Asparagus</u>			
1960-73	14.6	12.5	25.7
1974-79	15.2	24.3	32.7
<u>Apples</u>			
1960-74	23.3	47.4	47.1
1975-79	26.4	37.9	20.3

Source: Computed.

Producers

To receive accreditation for exclusive agency bargaining status in a bargaining unit under P.A. 344, an association must be a bona fide agricultural cooperative with contracts of more than 50 percent of the producers who control more than 50 percent of the volume of the commodity under consideration. A bargaining unit is defined as the largest area possible in which producers have a commonality of interest in the production and marketing of the specified crops with sufficient volume to bargain effectively. Bargaining units for asparagus and apples were approved by the Michigan Agricultural Marketing and Bargaining Board in 1974 and 1975, respectively. The asparagus and apple divisions of the Michigan Agricultural Cooperative Marketing Association, Inc. (MACMA), likewise received accreditation to represent their respective bargaining units and have since operated continuously in that capacity.

The board has established criteria for determining eligibility of producers for inclusion in bargaining units. If producers meet the criteria, they must abide by the terms negotiated by the accredited association regardless of their affiliation.

During the years the law has been in effect for asparagus, there has been a substantial increase in the number of growers qualifying for inclusion in that commodity's designated bargaining unit (table 4). The volume represented by these growers has increased to more than 90 percent of the total asparagus produced in Michigan for processing. The proportion of this production represented by growers who were members of MACMA has also increased over time. Whether these developments can be attributed to the influence of P.A. 344 cannot be objectively ascertained. But it would appear, at least, that the law has not adversely impacted Michigan's producers.

The increase in number of apple growers in the bargaining unit was less pronounced during the period covered by the act. Likewise, the proportions of processing apple volume represented by bargaining unit members showed little change. On the basis of these data, little influence--positive or negative--can be attributed to P.A. 344.

Processors

Nationally, the trend in food manufacturing has been toward increasing concentration of market power in the hands of larger processors. Available data showing processor concentration in the Michigan asparagus and apple subsectors since P.A. 344 strongly reinforce the national trend (table 5).

National statistics also portray a diminution in number of processors. This development has not occurred in Michigan thus far. This does not imply there have been no changes in control of assets in some instances.

Table 4--Number of growers, MACMA members and share of total volume of asparagus and apples for processing, Michigan, 1975 and 1979

Commodity	Year		Percent Change
	1975	1979	
<u>Asparagus</u>			
Number of growers in the bargaining unit	337	486	+44.2
MACMA members in the bargaining unit	202	287	+42.1
Volume of growers in the bargaining unit as a percentage of total volume	84.6	93.9	+11.0
Volume of MACMA members in the bargaining unit as a percentage of total volume	67.6	69.8	+ 3.3
<u>Apples</u>			
Number of growers in the bargaining unit	530	535	+ 0.9
MACMA members in the bargaining unit	317	343	+ 8.2
Volume of growers in the bargaining unit as a percentage of total volume	84.2	85.7	+ 1.8
Volume of MACMA members in the bargaining unit as a percentage of total volume	61.9	61.9	

Source: Michigan Agricultural Marketing and Bargaining Board.

Table 5--Share of volume of asparagus and apples for processing, Michigan, selected time periods

Commodity	Total volume for processing	Percent change	Volume accounted for by the				Number of processors
			Largest 4 firms	Percent change	Largest 8 firms	Percent change	
	Tons		Percent		Percent		
<u>Asparagus</u>							
1975	8,750.0		28.5		46.7		13
		+15.2		+81.0		+41.1	
1979	10,080.0		51.6		65.9		13
<u>Apples</u>							
1975	187,500.0		19.8		29.7		53 <u>1/</u>
		+18.7		+29.8		+43.8	
1979	222,500.0		25.7		42.7		53

1/ Data represents number of processors in existence in 1976.

Source: Michigan Agricultural Cooperative Marketing Association
Michigan Agricultural Marketing and Bargaining Board

It is conceivable that under a system where well organized strong bargaining associations prevail, the trend toward fewer and larger processors would be somewhat accelerated. Smaller and less efficient processors would be particularly vulnerable and may consider discontinuing their operations. Under such circumstances, the best option for growers desiring to stay in production may be to assume the processing function themselves coinciding with a national trend toward more cooperative processing of fruits and vegetables. This trend is occurring in response to a combination of economic pressures affecting profitability and not necessarily because of the presence of farm bargaining. The Michigan experience also suggests cooperative processing arrangements are increasing in importance. Whether P.A. 344 is the prime initiator for this development is debatable.

Summary and Conclusion

From this preliminary analysis, it is difficult to draw any clear cut conclusions concerning the influence of P.A. 344 on the fruit and vegetable subsector in Michigan. However, from these findings, we were able to make some statements about the impact of P.A. 344 on the asparagus and apple subsectors.

Price analysis provided some conflicting results. However, when factors that may affect prices were considered, no substantial increases in prices were found. In addition,

prices in Michigan were comparable with those of other major producing States. Price variability over time in Michigan appeared the same before as after P.A. 344 and was not significantly different from that of other States. The number of producers and processors in Michigan is not adversely affected by P.A. 344. Also, the market share of processors has increased, but this is a national trend and may not be the result of P.A. 344.

The results of this analysis indicate passage of P.A. 344 has not significantly affected the fruit and vegetable subsector in Michigan at this time. However, factors such as wholesale and retail prices could not be examined because data were not available. In addition, factors such as delivery terms, payment schedules and grading standards could not be quantified in the analyses. The Act has been in effect for only a relatively short period of time. More experience under the Act should provide a firmer basis for determining its economic impact on Michigan's fruit and vegetable complex.

IMPROVING MARKET INFORMATION

EXPERIMENTAL CONTRACT REPORTING PROGRAM

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We in the Department of Agricultural Economics at the University of Wisconsin have been attempting to evaluate an experimental contract market news program conducted in Wisconsin during 1980.

As our Nation's farmers and processors have increased their use of contract sales to coordinate production and marketing, there have been a number of questions raised about the availability of adequate information in the hands of producers to make the best choice among alternative contract arrangements. These questions were part of the basis for the interest of the United States Department of Agriculture (USDA), Agricultural Marketing Service (AMS) in contract market news availability. As the Nation's primary public market news provider for agriculture, AMS was interested in whether there was a need for more market news on alternative contracts and whether AMS could effectively report on contract terms.

Wisconsin was almost a "natural" location for a contract market news experiment. The processing vegetable industry in Wisconsin had a long history of contracting with growers for their vegetable crops. The Wisconsin Department of Agriculture, Trade, and Consumer Protection (WDATCP) had been collecting processors' contracts at the end of the contracting season each year. In general, these contracts were summarized by the WDATCP, but the summaries were not widely distributed. The Wisconsin processing vegetable industry thus had a history of using grower-processor contracts and some reporting of contract terms to a public agency.

In 1979, AMS entered a cooperative agreement with the University of Wisconsin, Department of Agricultural Economics, to investigate the need for and feasibility of a processing vegetable contract market news program. This study was to be followed by the operation of an experimental contract market news program in 1980. The University of Wisconsin was to evaluate the experimental contract market news program and report to AMS and the WDATCP.

The Pre-report Evaluation

Immediately after the processing vegetable contracting season in April 1979, we began a survey of Wisconsin vegetable growers. We chose a random sample of growers of peas, sweet corn, and snap beans. These three commodities are the most widely produced and economically important processing vegetables in Wisconsin. We found that Wisconsin growers produced an average of 20-50 acres of vegetables in 1979 depending on the commodity. These vegetables were sold to processing plants located an average of about 15 miles from the grower's farm.

Growers in our sample reported they had been growing vegetables under contract to the same processor an average of 8 to 9 years. The growers estimated there were two to three processors available in their area. They were on average contacting fewer than two processors about contract vegetable production. In general, growers reported relying most on other farmers and on processor fieldpersons as their major information sources for evaluating alternative contracting opportunities.

Growers were asked how satisfied they were with the information they had available on contracting alternatives. On a scale from very dissatisfied to completely satisfied, growers generally indicated they were satisfied with the information they had available. However, when they were asked whether they believed a contract market news program would be useful, about 70 percent indicated they believed it would be. Nearly 70 percent of the growers also indicated they would be willing to provide information on contract terms so a market news report could be compiled.

Findings of our pre-report survey led us to believe an experimental contract market news program could be useful to Wisconsin producers. We assisted AMS and the WDATCP in designing the information collection and dissemination process.

The Wisconsin
Contract Vegetable
Market News Program

Based on results of our survey, AMS and WDATCP determined that a weekly written report of contract terms to be mailed to all interested parties was the most feasible reporting mechanism. The report needed to be issued during the period of contracting activity (January-April), when it could be of use to growers in their decisionmaking. Information for the report was to be solicited from processors and growers. It was decided the report would include a summary of contract terms but would not attempt to evaluate or rank contracts. It was also decided the report would list contracts by company name and plant location. It was argued that, without the company name, growers would have insufficient information to respond to the information in the report.

AMS provided matching funds for the experimental market news program through its Federal-State Market Improvement Program. The market news program was conducted by the WDATCP marketing division. The processed vegetable contract market news program was staffed with experienced AMS market news reporters who had recently retired from Federal service. The experience of these reporters added immeasurably to the credibility of the report and the reporting process.

In December 1979, reporters began making contacts with processors and growers, attempting to solicit their cooperation in providing information for the report. In general, processors did not agree to provide copies of their contracts for the report. There were several, however, who did provide their contracts to the reporting staff. In general, growers were very cooperative in providing information for the report. Every effort was made to check information provided by growers with the appropriate processor before publication. Grower identity was kept confidential during this process.

In January 1980, the weekly report process began. The first report contained a summary of the 1979 contracts for the State's major processors. Each of the following weekly reports contained information on the most recently issued contracts and updates on previously reported contracts. The weekly reports also contained relevant information on wholesale markets for canned vegetables and cash grain markets. The final report issued in late March was a summary of all the 1980 contracts reported up to that time.

Each issue of the report contained a general statement that attempted to set the tone for the report's use:

"The following report is assembled from information provided by growers and processors to the Wisconsin Department of Agriculture, Trade and Consumer Protection. The report is designed to provide growers and processors with information on prices and other terms of trade during the contracting season for peas, sweet corn and snap beans. This report should provide all participants a market-wide base of information for contracting decisions. The report should be evaluated carefully, recognizing that there are many reasons for differences among contracts offered by different companies. The report will be most meaningful to market participants when comparisons are made among contracts available in the same geographic area. Questions regarding the contracts or the availability of contracts should be addressed to the processor."

Each issue of the report contained a list of all canning companies in Wisconsin, including plant locations. New contracts available each week and the contract summaries always indicated the region of the State where the plant was located. We believed this regional identification was necessary to warn growers there were regional differences in contracting opportunities so they would not unknowingly compare their opportunities to those in other parts of the State.

Evaluating the Experimental Contract Market News Program

After the reporting period ended in April 1980, we began an evaluation process for the report. This process has consisted of three major surveys. First, the same sample of growers surveyed the year before the report were again surveyed. Secondly, a survey was prepared for all those who received the mailed weekly report. Last, a survey of processors was undertaken to determine their assessment of the report's impact on their activities in product procurement. While our evaluation is not yet complete, I can report on preliminary findings from the grower and report user surveys.

Our random sample survey indicates that between 27 and 39 percent of the growers of peas, sweet corn, and snap beans knew about the report. This is not bad, considering the limited publicity the report received and the brief reporting period. Of the people who were aware of the report, about 20 percent (13 percent of pea growers to 38.5 percent of the snap bean growers), said that they had received the mailed report.

The initial report was mailed to 200 persons. By the end of the reporting period, 657 people or organizations were on the mailing list for the report. A questionnaire was mailed to all those on the mailing list for the report. We received about a 60 percent return rate on these questionnaires. Eighty-seven percent of the report users indicated the report was an important addition to the information they had available for evaluating contracts. Eighty-nine percent said they thought the report should be continued. Nineteen percent indicated they would do something differently in selling or buying vegetables for processing because of the report. Fourteen percent indicated they made changes in normal marketing patterns in 1980 because of the report. These changes mainly involved negotiating better contract terms or changing crops.

We also tried to determine the "economic" value of the report by asking if users would be willing to pay for the report. Thirty-seven percent of the users indicated they were willing to pay for the report. Sixty-eight percent reported they would be willing to provide information for future reports.

Summary

Let me briefly summarize our evaluation to date. This experimental contract market news program has indicated it is possible to provide reasonably timely information on contract terms during the contracting period. The results of providing this information are, as usual, mixed. While a majority of users indicated the report was a valuable addition to market information normally available, they did not indicate a willingness to pay for the information. The number of changes in grower or processor activity that can be traced directly to the provision of this information are limited. In its initial

period, the report reached only a limited number of potential users. Exactly how the report was used is unclear.

In assessing the need for this report and advising on the report format and process, I came to several conclusions that I think may be important for future contract market news programs. First, markets in which contract exchange is used are each unique. Therefore the report design, media for release, and report content must be individualized for each commodity and perhaps for each region. Second, both the amount of information and difficulties in information collection will make the collection of contract market information relatively expensive compared to terminal market reports for grain or livestock. Third, contract market news must be available during the negotiation period, which is usually concentrated for crops during a brief period of the year. Thus, this activity is likely to be sporadic and not a full-time program.

Some of you here today are doing this kind of contract market news reporting on a smaller scale in your bargaining associations. I think that such programs are beneficial, especially where the bargaining association has a large share of the production represented by its members. I do believe that the third party role played by the State-Federal partnership in providing market news adds a different element of independence to the market information provided by these agencies. The role of government-provided market news is not to substitute for private information-gathering and evaluation. Rather the provision of market information by government is designed to allow private sector activities to function more efficiently and fairly for all market participants. The structure of agricultural markets with large numbers of sellers and relatively few buyers continues to argue that the government should perform a market news function. This is no less the case in many markets where contracts play a major role than it is for terminal livestock and vegetable markets. AMS and the WDATCP deserve credit for attempting to test whether more market information can be provided in these contract markets.

In our final report, we will be able to assess processor concerns in contract market news programs. In addition, we hope to be able to give better insights into the cost of providing this information. Our report will not give the final answer on contract market news but should provide a better basis for policymaking in this area.

A TESTED MARKET
APPRAISAL PROGRAM

Gene R. Coe
Manager

Washington Asparagus
Growers Association

The topic I am to discuss might more appropriately be titled "S.C.P.," not an oil additive, but a modern business means of measuring the Strategy, Conduct, and Performance of people engaged in assembling, processing, and marketing our highly perishable crop, asparagus.

To discuss market appraisal in the Northwest asparagus industry, it is necessary to relate the conditions prevalent in 1957, our first year of operation.

Association records listed the following reasons for the formation of the Washington Asparagus Growers Association:

1. Nearly a complete void of reliable market information available to growers on a timely basis.
2. Very depressed prices.
3. All allowance for human error in grading or grade tolerance removed arbitrarily by the buyers a year earlier.
4. Almost a complete lack of confidence, trust, and respect between growers and buyers.
5. Both buyers and growers violating delivery commitments and cheating on grading.
6. Excessive planting stimulated by rumors and hints that the crop could be sold.
7. Growers concluding that their industry was critically unstable and perhaps a weak link in the national asparagus price structure.

After the first full year of operation, the board of directors of the association requested I present my thoughts on the problems and needs of the organization, so we could establish short- and long-term goals.

Aside from the usual shortcomings of any new association, such as membership strength, finance, and esprit de corps, to say nothing of management morale, the following concerns were found paramount to our existence:

1. Find how returns to growers from the different buying grades are closely related in all areas.
2. Analyze both local and national contracts offered by processors and fresh shippers.

3. Analyze returns for payment by weight on a local and a national basis to compare production areas both regional and national.
4. Find how returns to growers are closely related to yields per acre according to different grade requirements, i.e. canner, freezer, or fresh market grade standards.
5. Compare buyers closely and individually by summarizing member growers' daily grade records and final account sales summaries.
6. Study weight yield for varying lengths of green asparagus. Because of the tapered spear and differences in value depending upon the length of the spear cut, asparagus is one of the most difficult crops to analyze economically.

As an association, we found that our ability to bargain depended completely upon what we could learn from these concerns.

We found that answers to our problems could be divided into four subheadings, but they would all have to be labeled research--research--research--and research.

We conducted all of these studies as finances permitted, but it was suggestion No. 5 that was most important, "Compare buyers closely and individually by summarizing member growers' daily grade records and final account sales summaries to establish their comparable weighted daily and season averages."

This research program has been most productive for us and beneficial for improving grower returns. It generated most of the data that helped solve our other problems and became what we now call "market appraisal." The ongoing research reveals much of the buyer S.C.P.--Strategy, Conduct, Performance.

We perform market appraisal research on each year's crop, because we are firmly convinced a grower's final crop returns are not only a measure of his ability as a farmer--the ability to combine land, capital, and management--but are reflections of a marketer's acquisition conduct, a measure of his in-plant efficiencies, and a measure of his skillfulness in sales. In other words, returns are a measure of a marketer's ability to manage plant investment and labor and to capitalize on sales. Efficient plants and strong sales structures always benefit producers of agricultural products.

This program was not easily developed. Growers were reluctant to turn over their crop records voluntarily. It was a staff nightmare trying to run them down, and I was the staff!

At first, buyer resistance to supply copies of members' crop records was strong and unyielding. Some refused even when supplied with written member authorization.

These objections were overcome by working with responsible growers and buyers who could be shown the long-run advantage of the stability that could be brought to our industry by this research.

From an earlier sampling study of asparagus pay-out records, we were able to conclude that there could be as much as a 35 percent variance in average returns to growers among some dealers, comparing all asparagus bought at the same price and supposedly on the same basis of grade.

We overcame this barrier during the 1959 crop year, when our board of directors stipulated in contracts with buyers that copies of all members' grade records be delivered to the association when the grower is paid for each week's deliveries.

Now there is mounting pressure among growers and some dealers to report daily grade records as soon as they are extended by the dealers each day, for the obvious benefit that can accrue to the industry through close surveillance.

Our board of directors will study this possibility, because all the computer software is now in place to accomplish this in-house.

Permitting a perishable produce industry to have such a wide variation in plant door cost of raw products is an open invitation to instability in sales, because it does not afford those on sales desks to be selling from a known base.

These problems are further intensified today because of our quest to expand our selling base to a few mammoth volume buyers, for about the only three ways to sell to them are to offer continuity of supply and price concessions, increasingly higher and more uniform quality to entice their business, and more services.

Ponder the effects on farm returns of these strategies by sales people. All these points can add to growers' marketing costs, provided there is not a stable base underpinning the sales desks.

Ponder, also, the staggering number of dealers vying for the volume buyer's favor. This is especially happening today in many areas of our fresh fruit and vegetable marketing.

Today, there is industry confidence in this program. In 1957, we found \$88 per ton difference in buyer pay-out averages to their asparagus growers, based on a 10 cents per pound price or \$200 per ton. In 1980, there was \$38.70 per ton difference between the high and the low in their pay-out to growers.

Where we consider 3,000 pounds per acre to be an average yield for the Northwest, the comparison is even more apparent. In 1957, there was \$132 per acre difference between the high and the low pay-out buyers. In 1980, we found this difference narrowed to \$58.05 per acre, based on a 41.9 cent per pound contract price.

This narrowing could have paid off quite a few farm mortgages since the program was initiated in 1958. Buyers and growers alike now anxiously await the completion of our data processing of members' account sales summaries, for they receive coded evaluations of their performance.

Confidentiality of all private information is rigidly adhered to. Results are published in coded form so that no identities are revealed and comparisons are made only between the high, low, and median levels, not between individuals.

To simplify understanding of this on-going research program of the Washington Asparagus Growers Association, I will compare it to the dairy industry's Dairy Herd Improvement Association (DHIA) program with which most farmers are familiar. A herd enrolled in DHIA has the pounds of milk and butterfat produced by each cow recorded. Comparisons are made to the norm, and as a result, through improved breeding and herd management, there have been monumental gains in the production of dairy herds.

Now you know my secret. I plagiarized the concept from the DHIA program that measures the productivity of cows. In market appraisal for asparagus, we measure the productivity of the marketplace and learn about its strategy, conduct, and performance.

Business now abounds with comparative accounting systems. In education, team teaching is becoming more popular, in which the quality of the educator and the student is under continuing review. In all comparative systems, without exception, efficiencies always accrue to those in the program.

These thoughts and brief descriptions may be a proper sequel to Professor Campbell's explanation of a contract reporting program. Contract analysis and striving for uniform contracts is of critical importance to the producer, but I'll close by posing this question: "When we walk away from the bargaining table, are we done?"

FOREIGN TRADE ISSUES

THE CHANGING IMPORT SCENE

Gilbert E. Sindelar
Director
Horticultural
and Tropical
Products Division
Foreign Agricultural
Service, USDA

Imports can be very controversial. At one extreme are those who believe imports must be stopped. Others feel imports are really no problem as long as they do not affect their own earnings. Then, another but small group rather silently "attacks" imports simply by joining them. At the other extreme, global thinkers take the humanitarian approach this country should do everything possible to help the so-called developing countries. To them, it is far more important to help our neighbors than our own.

The Import Setting

A number of you have had some degree of exposure to imports. Some have felt the pains of increased competition from Mexican winter vegetables. Others may have had exposure to increases in tomato products from the Mediterranean, fresh and frozen strawberries from Mexico, canned mushrooms from the Far East, apple concentrate from Argentina, Granny Smiths from New Zealand and Chile, and orange juice from Brazil. The list is long.

Close study of the import equation reveals the general climate on imports in this country is changing. Whether we like it or not, it is now abundantly clear elements of protectionism in various sectors of U.S. horticulture have been much weakened over the past 10 or so years. Four major reasons, relating to developments that, in my view, represent ingredients for further import growth are: the program extending duty-free treatment to developing countries, the changing mood toward imports in Washington, the rise of consumerism, and the increasing participation of U.S. horticultural enterprises in imports.

Generalized System of Preferences

The first development I mentioned is the so-called Generalized System of Preferences or GSP, providing for duty-free entry into this country of goods from certain eligible developing countries.

In 1969, the President approved the general concept of U.S. participation in a Generalized System of Preferences that other world powers, primarily the European Community, Japan, and Canada, were also in the process of adopting.

In his message to Congress, the President stated preferences were intended primarily for a broad range of manufactured and semimanufactured products and for a selected list of agricultural and other primary products. The GSP program became effective on January 1, 1976, and is scheduled to remain on the scene until January 3, 1985. Conceivably, it could then be renewed by Congress.

The procedure for applying for GSP treatment is relatively simple. A country or other authorized applicant files a request in the prescribed manner with the U.S. Government. If the petition is accepted by the GSP subcommittee, a hearing is held where testimony on both pros and cons can be heard on the merits of GSP treatment for the commodity.

Initially, 137 developing countries and territories were eligible candidates for GSP. Today, the number of eligibles stands at 140. The act initially provided that if imports of an item from a beneficiary developing country amounted to more than \$25 million or more than 50 percent of total U.S. imports, duty-free treatment to that country ceases. This means, for example, that for a large number of winter vegetables, Mexico is denied duty-free treatment, simply because it supplies more than 50 percent of the total imports.

In 1980, our GSP program granted duty-free access to some 2,800 products. Of these, 357 were agricultural. The number of horticultural items in this figure stands at 126 or 35 percent of the total for agriculture.

At first, the extension of preferences did not appreciably affect U.S. producers of horticultural crops. The first few rounds of preferences were awarded for tropical and semitropical commodities.

The situation, however, has since reversed itself. More recently, an increasing number of more sensitive items have been challenged. A number of our horticulture industries have voiced concerns. A key concern is that the domestic industry affected by a petition is immediately placed on the defensive. It is forced to prove extension of duty-free treatment represents a threat to the local industry. All too often, the mere fact there is no track record of imports makes it very difficult for the domestic industry to sell its belief to the government's GSP panel that a threat does exist.

Furthermore, commodity groups frequently complain of their repeated and frequent need to march to Washington to defend themselves at GSP hearings.

The Changing Mood in Washington

The second reason for expanded imports is the changing mood in Washington. After serving quite a few years in USDA on the domestic front, I joined the Foreign Agricultural Service in 1962. I immediately became exposed to a number of import problems in fruits and vegetables. Concern was then beginning to be expressed over the sizable imports of fresh produce from Mexico. Imports of canned mushrooms from the Far East were accelerating, and tomato products from the Mediterranean region

were beginning to penetrate our market in heavy volume. Imports of asparagus in all forms--fresh, frozen and canned--were touching a very sensitive nerve in the Pacific coast States.

Shortly thereafter, the import outlook became even bleaker. A decisive turning point occurred on December 31, 1964, when the so-called Bracero Program, permitting the use of imported labor, was terminated. Before the termination, foreign labor moved to U.S. producing areas. With the end of the program, fear was voiced that the producing areas would now move to the labor supply.

Those affected by imports began to ask the government to do something. Imports simply must be stopped. There were laws on the books designed to provide relief. Once an industry began to explore relief laws, however, they often found that its concept of the problem differed markedly from the Administration's interpretation of the law. They further found past victories under existing statutes were few and far between.

I well recall a number of industry groups making the rounds of various agencies in Washington. True, they were extended considerable sympathy; but, little did they realize sympathy is not a costly item in the Nation's capital. It is given freely and abundantly.

Some industries found themselves not large enough to muster political clout. Most were forced to hire legal counsel. As you know, legal counsel can be expensive. In retrospect, it is now clear that some of the affected industries would have been far better off economically, if they had redirected their resources toward becoming more efficient and competitive with imports.

Right or wrong, the core of the problem is a philosophy of free trade deeply embedded in every Administration since World War II. It has fostered an almost inherent reluctance to extend import relief under existing laws or to support legislation with any element or hint of protectionism.

Certain factions within the U.S. government continue to believe any import relief will be viewed adversely by foreign countries, weakening our posture in U.S. exports. In other words, their message is, "We must look at the whole forest and not the individual trees," or "Do nothing to rock the boat."

This attitude appears to be gaining support from the expanding role of U.S. agricultural exports in our economy. In fiscal year 1980, U.S. agricultural exports reached another new

all-time high of \$40.5 billion, 27 percent above the previous high in 1979. Ten years earlier, agricultural exports amounted to a mere \$7 million. The growth has been fantastic.

Should U.S. agricultural exports continue their highly significant contributions to our gross national product, making the U.S. farm economy more and more dependent upon export markets, I very much doubt there will be any noticeable relaxation in the mood on imports in Washington. The U.S. Government has long sought the removal of trade barriers from various countries around the world. This has been an extremely slow and frustrating process. Nevertheless, what gradual relaxation has been achieved over time has been matched by equal demands that we do the same. We who engaged in the Tokyo Round of negotiations, both government officials and industry members on our technical advisory committees, can well remember constantly being hit with the theme, "In order to win some, we have to give some." In other words, foreign trade is a two-way street.

The Rise of Consumerism

Now, turning to the third reason I advanced earlier on expanding import potential, I believe we can all agree that American consumers have played an important role in imports, directly and indirectly. During the early 1970's, inflation really began to rear its ugly head. The following inflationary spiral had a very important result. It definitely generated a much more cohesive force within the family of American consumers. They became a great deal more united in voicing their concerns about the rising cost of their food bills. The rapid growth in urbanization did much in this direction. Because of this, consumers were becoming a powerful voting bloc. Today, we find the overworked word, "consumerism," weighs heavily in the halls of Congress and perhaps equally so within Administration circles. Any action designed to curb imports means only one thing to the American consumer, higher prices!

As one unfortunate aspect of this development, the voice of a small domestic industry whose very survival is at stake is seldom recognized in the consumer forum. This only compounds the dilemma facing the members of those industries who, also, are victims of the inflationary spiral.

U.S. Industry Participation in Imports

And now, a word about the final development I alluded to earlier. Over the past 4 or 5 years, an increasing number of U.S. horticultural interests have integrated their marketing operations to include imports. Both noncooperative and cooperative marketing organizations have been involved. About 15 to 20 years ago, this practice would have been looked at as a "no-no," not being in the best interests of U.S. horticulture.

Those beginning to dip into imports viewed this as unwarranted and unrealistic criticism. After all, a firm is in business to make a profit, not a loss. Whether it be partners, stockholders or cooperative members, management simply must keep its eyes on making a profit. Otherwise, their services stand in jeopardy.

The reasons for this participation in imports are varied. Some have jumped the border only in years of short home crops; others have sought to extend the seasonality of their operations; and still others, particularly the larger ones with a network of sales agents scattered throughout the more populous consuming centers of this Nation, seek to cut their overhead by adding another product to the line, needing little extra selling effort.

How far this trend of merging imports into domestic marketing operations will continue remains to be seen. Thus far, I believe it has been of minor consequence; but, continued inflationary tendencies and the attendant need to cut or spread overhead costs will force more to take a closer look at imports.

Conclusion

In conclusion, I believe the four developments just outlined will be key factors in the direction of imports, at least for the immediate years ahead. We have been good teachers; foreign countries have been good students. They have learned well. Many producing areas as well as packing and processing facilities in foreign countries are complete replicas of those in the United States. A few are even better.

There are those who feel we should aim at a philosophy of free trade. I, however, believe free trade is an illusory term, more theoretical than real. In my opinion, it lies a long, long way down the road. Rather, I believe we should aim more realistically at fair trade. From the standpoint of space and time, the world is shrinking. Communications have improved vastly. Language barriers are no longer the problem they once were. In such a climate, more than ever, there must be respect and discipline for the rules of conduct in international trade. Fair trade is the direction in which our government must move. It is incumbent upon each and every one of us to see that it remains on track at all times.

In cases where it is clear that a foreign supplier is moving into this market unfairly, such as through employment of government subsidies or outright dumping, I feel it is incumbent upon any affected domestic industry to make it known in the proper forums of our government. Charges of ill-doing, however, should be based clearly on fact, not supposition.

Permitting one flagrant violator to get by without penalty can only invite more.

FOREIGN TRADE
ISSUES

Jerry Sietsema
Fruit Grower

I'm glad to review a few of my travel experiences. As a member of the Growers Association, I've been able to go to New Zealand, Australia, Argentina, Chile, and South Africa. I'd like to examine closely the conditions leading to large imports from these countries.

Grand Rapids
Michigan

For example, in 1977, we were importing only 31 million gallons of single strength equivalent of apple juice concentrate. In 1979, the last complete year for which figures are available, it reached 66 million gallons equivalent.

I'll limit my remarks in the interest of time to the two largest countries exporting the concentrate, South Africa and Argentina. You may think of a man with a horse and a cultivator working on 5 or 6 acres there, but we're looking at an area with thousands of acres, very modern, with trees, dwarfing root stocks, and very efficient growers. Growers drive Rolls Royces, occasionally Mercedes. All their work is done by computer, even keeping growing records.

They store their fruit in huge storages. They have extremely large buildings, large cooperatives, and large plants operated by computer. Fruit is not handled in individual crates but in thousands of bulk boxes, the greatest pile I've seen in my life. They have realized, also, there is a surplus of apples in some areas of the world, and they are one up on us. Instead of one apple a day, they are advertising two a day.

We visited Apple-tiser, a large concentrator in South Africa, half owned by Coca-Cola and half by South African Breweries. When I went past the gate, they told me I couldn't take any more pictures. They have a large \$15 million plant with the most modern press and extraction process in the world, developed by West Germany. They claim they've had a 15 percent extraction advantage over any other processor in the world.

I think these people are going to be severe competitors. Now, we are importing the equivalent of 7 million gallons of concentrate from them. Their production is increasing, and they're trying to reach out into further markets. I don't look for any lessening of imports from this area.

In Argentina, I had visions of small farms, small plots, and inefficient operations. But it was very modern with huge packing plants and processing areas, bulk boxes instead of crates, huge presses and computerization. The industry is subsidized by the government. I don't think U.S. apple growers

are at all adverse to competing equally with growers from other countries, but competing against subsidized industries could be quite difficult. These plants are not taxed for the first 10 years. There is a direct subsidy on every dollar of foreign exchange gained. Instead of free competition, they are seeking to maintain their balance of payments, finding it necessary to subsidize their products.

Recently, large crops have lowered prices in the United States, making it difficult for foreign countries to compete. Although this has slowed importing to some extent, foreign subsidized industries are still a serious problem to be reckoned with. Michigan Agricultural Marketing Cooperative is gathering facts and figures and will take action if needed.

THE NEW WASHINGTON CLIMATE AND ITS IMPACT
ON BARGAINING LEGISLATION

Vernie R. Glasson, Director, National Affairs Division
American Farm Bureau Federation

I appreciate the opportunity to appear before this distinguished group. I have followed your activities rather closely for the past 2 years and have read the proceedings from those meetings. Kirk Miller, formerly the Farm Bureau's Assistant Director of National Affairs, charged with marketing responsibilities in our Washington Office, kept me informed of the meetings he attended and of the respect and admiration he held for many of you.

First, let me make it clear that I am not an expert on bargaining--but I fully recognize that you are! I told Noel Stuckman when he invited me to appear as a substitute for Congressman Leon Panetta--our bill's chief sponsor in the last Congress who has again agreed to sponsor it in the current 97th Congress--that I would be pleased to testify on the plans and prospects for bargaining legislation, if he promised to answer any technical questions on bargaining that you may pose. I appreciate those ground rules.

Secondly, I arrived last night directly from New Orleans, La., and the 62nd annual meeting of the American Farm Bureau Federation. I am pleased to report to you that the Farm Bureau remains steadfast in support of improved bargaining legislation. This policy, adopted by our voting delegates, states:

"We strongly urge that the enactment of a comprehensive Federal marketing and bargaining act be given high priority. This legislation should be available to producers in all States if they desire to organize marketing associations and operate within the provisions of the act. It should establish procedures for: defining bargaining units; accrediting associations to bargain as exclusive agents for all producer-members of bargaining units; good faith bargaining between accredited associations, handlers and processors; establishing minimum requirements and rights in the operation of accredited associations; and resolving bargaining impasses by mediation and arbitration by a joint settlement committee utilizing the principle of final offer selection.

It is a significant policy, because we have had a legislative proposal for 3 years that has not moved through Congress successfully. Last fall, AFBF President Robert DeLano, AFBF Secretary John Datt, and I agreed we should challenge our State farm bureaus to review current policy on bargaining and urge them to delete, change, or reaffirm it with a commitment that they--State farm bureaus and leaders from the counties--would get behind and push this bill in the new Congress. I took this challenge to more than 30 of the State farm bureau annual meetings; President DeLano challenged all 50 of our State farm

bureau presidents in December at our resolutions meeting, and we have this policy.

I believe it significant that although the Farm Bureau has long supported improved bargaining power through legislation, we apparently have not had the full commitment to do so or the bill would be law. I believe we may have it now--obviously time will tell--but President Robert Delano put this issue at the top of his priorities when he became president of the American Farm Bureau Federation in January 1979. That action, along with the reaffirmation after careful evaluation by member State farm bureaus this past month and the staff dedication that we have to get the job done, makes the Farm Bureau your strong ally in obtaining passage of this legislation.

Your question is probably, "When?" Obviously, the new situation in Washington will affect bargaining legislation.

It would take too much time to review the specifics in any detail, but I'll quickly recap: Elections in 1980 have provided a Republican Administration and a Republican majority in the Senate for the first time in almost 30 years. Although the Democratic party retains a majority in the House of Representatives, Republicans gained 31 seats in that body to narrow the gap, which was quite wide just 4 years ago.

Perhaps even more significant is that the Washington climate will be dramatically more conservative. This is obvious in the Administration and in the Senate, but the changes in the House are significant as well. Farm Bureau's evaluation shortly after the election showed a potential coalition of 231 conservative Democrat and Republican members. Shortly after our evaluation, one of Washington's very liberal "think-tanks" released a similar finding of just more than 220 members--nonetheless, a majority. This should bode well for agriculture, business, and, we in Farm Bureau believe, the entire Nation.

But, back to bargaining. As they say, "The streets aren't lined with gold," and "It ain't gonna be easy." We, the Farm Bureau, you, and others interested in an improved law have a long and, I suspect, rough road ahead.

We have many new members of the House and Senate unfamiliar with the problem and our potential solution. New members, new leadership, and a new Administration mean hordes--literally hundreds of new staff people--most of whom have never heard of bargaining legislation.

As an example, fewer than half (less than 20 of 41) of the members of the House Committee on Agriculture served in

Congress in 1977--4 years ago. Fewer than 10 served as far back as 1972! In the Senate, only one current member of the Agriculture Committee served in the Senate before 1972! Only 4 of the current 17 were even members in 1976.

So, in terms of bargaining legislation, there is very little memory of the 1967 Act and the circumstances that surrounded that law.

With the change in majority parties in the Senate, there are numerous new Republican majority staff people to deal with, to get to know, to educate about the problem, and to sell on our solution. This obviously will take time.

In the House, Congressman Panetta is committed and is anxiously looking forward to being our chief sponsor and leader again. He holds much optimism for success in the 97th Congress--but again, we must do a substantial amount of work to help him.

And what about the Administration? That remains a question. Last October, the Farm Bureau put a number of questions to both Governor Reagan and President Carter to publish the answers in our Farm Bureau News. Governor Reagan's answer to our question on bargaining was vague and evasive--and that's the most optimistic description we can find. We obviously do not have a commitment. Secretary of Agriculture-designate John Block and the assistant secretaries that he puts together, along with other primary support staff, will be the keys. Again, we must work to educate them--to convince them there is a problem and a solution.

Our obvious strategy must be to: (1) educate members, particularly newer members of the House and Senate Agriculture Committees and their staffs, which can best be done by their own constituents. (2) educate key members of the Agriculture Department hierarchy--from the Secretary on down. It would be futile, and stupid, to work hard and long to gain a simple majority in the two legislative bodies only to have a Presidential veto with no prospects for a Congressional override of the veto. (3) Continue to build support--more commodity groups or bargaining associations--and attempt to eliminate organized opposition (especially within the agricultural community).

Meanwhile, to set the stage for the new effort, the Farm Bureau met with Congressman Panetta following an ad hoc group meeting in November composed of the Farm Bureau, the Farmers Union, the Grange, the Co-op Council, Noel Stuckman, Dr. Shaffer, Randy Torgerson, and Bill Thomas. We developed a beginning strategy that we believe can provide success for the bill in the 97th Congress during 1981-82.

After the July hearings in 1979, Congressman Panetta pushed hard for field hearings, which culminated in April 1980 with a hearing in California. We had hoped for three hearings but time and the committee budget prevented more. Congressman Panetta felt the California hearing was a success. In fact, he had some hope of getting H.R. 3535 before the subcommittee for a vote (which he believed would be positive) before the close of the 96th Congress, with modifications that he hoped would be agreeable to the principal groups concerned. Obviously that didn't happen, but at least the chain of events allowed Congress to conclude this year on what our chief sponsor felt was a positive note.

This year, we have agreed to a 6-point beginning strategy for new legislation:

- (1) For the time being, Farm Bureau's office of the general counsel is starting to work on a redraft with modifications that were recommended by the ad hoc committee with Leon's concurrence.
- (2) We will circulate the redraft among all groups involved for input and agreement.
- (3) We had agreed to complete a final draft by February 1, 1981, but I believe it may take longer.
- (4) Congressman Panetta will visit key Agriculture Committee members--de la Garza, Foley, Helms, and Huddleston--to review the situation and gain their thoughts. He will also visit with other key members as necessary.
- (5) We will lay the groundwork through education, persuasion, and gaining the commitment of members of Congress and their staffs and of the Administration during February and March.
- (6) We set a target date of April 1, 1981, for introducing the bill to provide ample time for our necessary groundwork and to prevent the opposition from rallying against one particular bill, delivering an early "knock-out punch" to our entire effort.

We know that February through July will be an extremely busy time for the agriculture committees in rewriting the omnibus farm bill, virtually precluding consideration of bargaining legislation. Therefore, introducing a bill without quick consideration simply gives our opposition a sitting duck to shoot at, and we'd likely wind up with it languishing without action. Well-timed introduction of a bill with proper advance groundwork will help prevent that kind of situation.

We have a big task before us. The new climate in Washington, I believe, does not make that task any easier. In fact, it may make it harder. It will require commitment and hard work, and when we begin, I hope that we have properly prepared the groundwork and that we, the proponents of the bill, are all prepared to push until the job is done.

On behalf of the American Farm Bureau Federation, I look forward to working with you and to successfully achieving our goals in this new 97th Congress.

ESSENTIALS OF COLLECTIVE BARGAINING
DeVon Woodland, President
National Farmers Organization

The bargaining concept in agriculture does not have an easy route; it's tough. It doesn't come easy. You do not go with your hat in hand, but bargain from a position of strength. You simply have something that someone else cannot survive or exist without, and you negotiate a contract. You cannot legislate collective bargaining. You do it from a hard business approach.

The 1980's are going to be eventful. It will be exciting for those who survive and disappointing for those who don't. There will be a transfer of land ownership during this period, because deed and mortgage holders are 64 or 65 years old. The structure hearings held by the Secretary of Agriculture years ago, suggested a need for change in agriculture. I visited with a university class a short time ago and asked three or four specific questions. "How many of you young men have farm backgrounds?" "Who actually tilled the soil?" "Who had parents who did?" Every hand went up. "How many of you would someday like to be an owner-operator of your farm and ranch?" Every hand went up. And then I asked them the bell ringer, "How many of you have designed a plan or can see a way for this to happen?" There wasn't a hand up. The desire and determination are there, but they're depending on tillers of the soil today to make it economically feasible for them to remain tillers of the soil. We have not been successful as farm operators in running our businesses. In 1950, there were about 6 million farmers; today we have about 2.5 million; projections show we will have a half million by 1985. We've been less than successful, perhaps because we have not been business oriented. We talk about what to do and how to do it. There are some specific things we must deal with in the next Congress.

First of all, Congress is going to be conservative. The President campaigned on two basic issues: increased Defense spending and reduced taxes. This means funds to increase Defense spending will have to come from somewhere. I submit it will be from social aid programs, and agriculture is not going to be exempt from close scrutiny. Agricultural producers are a minority group that have allowed themselves to become fragmented into hundreds of commodity groups and bargaining associations. We've got to recognize we now have to protect ourselves, our businesses, and our interests, only by jelling ourselves behind the agriculture industry.

There are five basic principles of survival for agriculture to embrace. The first is the bargaining concept. We started in 1958, negotiated our first contract in 1968, and last year negotiated more than a 1,000 contracts. We are approaching a billion dollar corporation today. If agriculture is to survive

in the 1980's, we must become unified nationally. We can no longer allow ourselves to be regionalized and fragmented. We are an industry that is the envy of the world. We cannot be challenged in productivity by any other country. We must become an all-commodity industry with common concerns. We must have mobility. Any time there is a captive buyer or seller, our bargaining ability is negated and we become ineffective. We must have the mobility to move in and out of markets, causing gyrations and competition among buying interests. We must embrace the contract concept in agriculture. The farm credit people are going to insist that contracts be forthcoming for farm credit and farm financing. Contract farming will become the wave of the future. The concept of the strike must be a part of any collective bargaining organization, the refusal to deliver supply unless a contract is negotiated satisfactory to both buyer and seller. To recap, we must be a national organization, jelled together, involved with concerns of producers of all commodities, have mobility, and use the principle of the strike.

There must be a new marketing system. The traditional marketing system was designed to get supply centrally located and as cheap as possible to serve the needs of the industry and not of the agricultural producer. There must be another system designed with the welfare of producers foremost, and put together by farmers. Every member, executive, and board member must be a producer, so that the interests and the ultimate goal will not be lost. To establish an organization, there must be a need, a goal, and a plan. The goal of this organization is to establish the right of agricultural producers to price what they raise. We're not there yet, but we know how to cause competitive bidding among buying interests. We know what their weaknesses are. We know how vulnerable they are, and the time may come when the producer, the packer, and the processor may have to join arms to attack the major chains in this country.

In recent months, much to our disappointment, through negotiating and bargaining practices, we broke many packers, by pushing them beyond their limits. Then we realized how important they are to the overall picture. So together now we must attack the chains, because they are the key to the food pricing structure in this country.

There are no free markets. Organized buyers buy from disorganized sellers. There are five major companies in basically every industry in America organized to create unbearable pressure on the producer. So, agriculture in the 1980's could be very challenging. Those who are able to withstand the projected 50 percent increase in machinery costs, 20 percent interest on borrowing money, a projected need to

increase debt, and prices not keeping pace with the cost of equipment will be the ones young people will depend on for their future in agriculture. But the transfer of land ownership will happen in one of two ways, either we who till the soil today will make it economically feasible to retire debt or those who can afford off-farm income to subsidize farm losses will buy for investment purposes and have absentee ownership. Nonfarm corporations will be the tillers of the soil in this country. Who will be lost? Not only agriculture, but America. What makes this country great, different from any country in the world, is land ownership. Soon you and I are going to assume a leadership role and shoulder responsibility to preserve our most valued possession, ownership, or we'll hang our heads as we tell our tale of how we watched the transfer from producer to absentee land ownership.

COORDINATED MARKETING EFFORTS

PRODUCE EXCHANGES IN FLORIDA

George M. Talbott
General Manager

Florida Celery
Exchange

The Florida Celery Exchange, of which I am general manager, is considered the grandfather or basic pattern for all similar marketing programs in Florida as well as many other States. There is nothing unique about the exchange concept, as it must closely adhere to standard cooperative organizational structure and maintain a legal posture within this framework. All such organizations must be Simon-pure grower organizations, if they are to be legally and properly constituted. Many paper organizations and other shams have been created under the guise of the name, "exchange," but most have been short-lived or proved to be of no meaningful value.

The titles, "exchange," or "cooperative," are synonymous; therefore, any attempt to make illegal action appear legal, by calling an organization an "exchange" or "cooperative" gets little sympathy or encouragement from me. Why should the cooperative movement be jeopardized, when it is abused by misguided individuals or opportunists?

The basic issue in the formation of any exchange is whether group action is better than individual action on a specific marketing problem or objective. If individual action is the best solution, no consideration should be given to the establishment of a cooperative. I am a strong believer that cooperative action cannot be sold, especially by a hired person. It must be wanted or desired by the decisionmaker, that is, the person who has his money in the crop. Only then may someone with knowledge and experience in cooperatives assist industry members to solve marketing problems, not before. Most of the failures in cooperative efforts I have observed have been due to marketing solutions being oversold without a truly legitimate need other than in the promoter's mind.

Whether it is called "exchange" or "cooperative," without the united will and determination of the grower owners or decisionmakers to initiate and make a dedicated effort, it will either fail in the formation stage or be short lived. I have emphasized this point so strongly to stress that there is no magic formula for a successful marketing program. The basic starting point is the will of the growers to achieve certain objectives by united action.

Under the free enterprise system, making money is the key motivation. The drive to make money causes individuals to give up independent action for group action. I personally do not want to be involved in "fun and games" unless it results in financial rewards to the growers, and not just to an organization staff which may frequently become an all-consuming, financially demanding and absorbing monster.

A proper balance must be maintained between the vehicle to obtain the desired results and the cost of operating the vehicle. This is not easy.

So much for George Talbott's personal philosophy. Now let us discuss the so-called exchange in Florida. In the late 1950's, the Florida celery industry was in serious financial straits due to overproduction and cut-throat pricing practices by our shippers. Confusion, dissension, sectionalism, and personal animosities were highly evident. The little cooperation among members of the industry was done with caution and suspicion. The poor working relationship with shippers affected the attitudes and cooperation among the growers on matters beyond marketing.

The Florida Celery Exchange was the first attempt at an organized effort of its kind in the United States. There was considerable doubt as to its feasibility and longevity due to numerous past failures in the celery industry's attempts to cooperate and stick together on industry matters. Then, also, any pioneer is subject to attack from many sources and by many doubting Thomases--perhaps with good reason. Basically, the buying trade did not want the industry organized or an orderly market established, as it was to its advantage to play one shipper against another as well as against our major competitor, California. Even some of our prime salesmen resisted change for fear their relative positions and power bases would be affected.

You may be asking, "What is so unusual for a group of hard-pressed growers to join a marketing organization or to attempt some positive effort to improve their financial returns?" As you may have already surmised, there is really nothing strange or revolutionary about such a natural course of events. It has happened many times before and will continue to occur. In our case, primarily due to economic losses, our industry had reached the stage where owner-decisionmakers were willing to give up some of their individual rights and marketing actions to one centralized organization, the Florida Celery Exchange. Then, a unique feature within an exchange of our type came into play.

Once growers had given complete and absolute control of the marketing of their crop to the exchange, it had several ways to handle the marketing of their celery: through hiring salesmen or through contracting with experienced sales organizations to handle sales. In the latter case, however, the exchange would maintain control of the sales of its members' celery. It would be somewhat like an auction where sellers permit the auction house to handle the sale of their commodity but stipulate the

terms of sale and price that must be received for the product before any actual sale. We chose to contract for the sale of our members' celery through authorized sales agencies with the provision the exchange would maintain control over the terms of sales and actual prices to be received for our members' products.

In reviewing the various aspects that can make the exchange concept work, I would list the following key elements:

1. The complete financial and moral support of the growers.
2. The development of accurate and timely market information, both current and forthcoming, on supply and demand. In our case, we have almost as much information about individual daily celery operations as the grower. This data base gives us a consolidated reading on daily, weekly, and future crop prospects including size, quality, and volume.
3. Full knowledge and timely details on the sales results of the various authorized sales agencies working on behalf of the exchange, such as daily volume on hand, sales by size and type, distribution area, customers, etc.
4. Absolute control and knowledge of actual sales and marketing of a commodity.
5. A high volume of produce under the exchange--at least 85 percent or more of the total local supply. Any lesser amount limits the effectiveness of the exchange to reach certain objectives.
6. The ability to represent an industry on other industry matters such as transportation, pesticides, seed, and research.
7. The cooperation of the exchange's salesmen and staff.
8. Obtaining the best possible information for judgments, whether by the general manager or marketing committee. When working on a solution to a problem, all decisions should be unanimous, if possible.
9. Maintaining legality within the operations and activities of the exchange and not extending into unrelated fields.
10. Working only with a commodity that has limited competition both statewide and nationwide.

11. Realization by exchange members that organizations like the exchange cannot assure growers a profit under all marketing circumstances or make a bad market good. They can only reduce growers' losses when there is an extreme oversupply and limited demand.

12. The willingness of members to recognize that not all decisions or actions are equal in their individual benefits and effects. What counts is the balance sheet at the end of the season when the pluses must exceed the minuses, not the score sheet at a given moment or a reaction to a particular decision. Saying it another way, if individuals are inclined to take their marbles and go home at the first instance of an adverse decision against them, the exchange cannot survive.

There are two basic types of exchanges in Florida. One, where the management of the exchange maintains complete control over its authorized sales agencies by giving firm selling instructions and making internal checks on compliance and performance. Our celery exchange operates under this strict organizational structure through a board of directors, an executive committee, a general manager, and staff. We are the only exchange within the State operating in such a sophisticated manner.

The other type has a less formal arrangement between the grower, authorized sales agencies, and the administrative staff of the exchange. Suggested and minimum prices are used. Little direct control or absolute compliance is maintained over exchange operations. Grower-members want a loose operation and employ a part-time administrative staff to exercise minimum control or interference in their internal farm and marketing operations. Such exchanges have been highly effective, operating under a low budget. Their benefits have greatly exceeded the low assessments paid by the grower. Such organizations are most likely the solution to giving growers limited marketing strength, extremely low administrative costs, and almost no loss of individual authority to act and make decisions.

Most people would consider me a workaholic. Perhaps I am. Being able to play an active role in the establishment of the exchange concept and to see an industry benefit from these efforts for so many years is one of the high points in my business career. Few people have this opportunity, just as few people have ever started a church or swum the English Channel. A challenge in marketing produce is an opportunity to pick up the gauntlet and fight to achieve what others say cannot be done.

A REGIONAL
MARKETING PROGRAM
FOR PROCESSING
APPLES

Thomas C. Butler
Manager

Michigan Processing
Apple Growers

Two years ago, the Michigan Processing Apple Growers Division of (MACMA) Michigan Agricultural Cooperative Marketing Association began operating the (AAMA), or American Agricultural Marketing Association, apple program. Prior to that time, the program was operated and coordinated out of the Park Ridge headquarters of the American Farm Bureau. Several States are involved in the program. Michigan, New York, Pennsylvania, Maryland, West Virginia, and Virginia have been involved since the beginning of the AAMA. More recently, North and South Carolina and Georgia have become involved. The States' producers and members of State committees felt that because MACMA had full-time employees in apple bargaining and marketing, MACMA was best equipped to handle the entire program for AAMA.

AAMA has a contract with MACMA to operate and coordinate the program, and, of course, the States compensate MACMA for its effort. We are quite sensitive about that in Michigan, because we want to be able to truthfully say that we don't spend Michigan grower money in other States. The other States pay us for the effort. And of course, the MACMA board of directors would not have approved of our involvement in the program had it not paid for itself. The States drew up a list of services they expected from MACMA, and we signed a contract with AAMA to perform them.

1. We assist the other States in membership activities.
2. We give them organizational help wherever possible, and make available to them some of our management methods that have been successful for MACMA.
3. The Michigan producers and I periodically conduct meetings with grower representatives and staff representatives from all of the State farm bureaus to establish base prices and other terms of trade through negotiations with processors.
4. We communicate with the entire AAMA apple membership through newsletters containing market information.
5. We operate a multistate WATS line for growers from Georgia to New York to call in to our office to exchange information. This is a valuable tool to keep growers informed about market conditions in all the producing areas.
6. Whenever possible, we provide assistance to facilitate interstate sales of fruit among all the producing areas.
7. We provide the producer committees with statistical information to enable them to make realistic decisions concerning price recommendations for their apples.

8. We provide assistance in bargaining wherever needed, helping growers obtain the prices that they recommend to processors.

A more insignificant function, not in the contract, is helping the other State associations affiliated with farm bureaus to locate competent employees.

In establishing realistic base prices, the growers feel that as long as the negotiated base prices are correct, they will have little or no effect on the volume of fruit utilized by processors. Only a small portion of the apple volume in the eastern part of the United States is sold to processors through preseason contracts that lock in a price for the entire sales season.

Establishing realistic base prices provides some protection to both producers and processors. Many processors have indicated that they do not dislike a system in which their competitors cannot buy more cheaply than they buy.

One tool that is invaluable in establishing base prices is bargaining legislation that obligates processors to negotiate with grower associations and that provides a time-table for concluding negotiations, as does the Michigan State marketing and bargaining law, Public Act 344. Other States might find a State law makes no sense for them. Effective national and State bargaining legislation could allow a more effective regional approach for establishing base prices, based on supply and demand.

We are not advocating that prices in all the States be the same. Historically, that has not been true; and I do not believe it will ever be.

Georgia, South Carolina, and North Carolina, the first area of the country where processing apples are available, have become involved in the AAMA apple program. It is important to all the rest of the States from Virginia to New York to Michigan, at what level prices are established in the Carolinas and Georgia. National bargaining legislation enabling these associations to cross State lines to form a regional association, could have a positive effect on the apple market. We believe that supply and demand are the greatest factors that govern our actions, but periodically a large demand among processors in Virginia, Pennsylvania, and New York does not cause a response in the price of Georgia and Carolina apples. It is hoped that an effective grower association developing in those States will change this, but it may take the National Bargaining Bill to accomplish this.

Virginia, West Virginia, Maryland and Pennsylvania deal with the same processors, ship fruit freely across State lines, and have virtually the same variety mix of fruits. This is another area where a regional bargaining law would make sense. It does not make any sense for most of those States with relatively small production to have their own State laws because they all sell to the same processors--certainly not for Maryland, producing 1.5 million bushels of apples; West Virginia, producing 6 million bushels; or Virginia, producing 10 to 12 million bushels; and Pennsylvania, producing 13 million bushels.

New York, especially the western part of the State, is an isolated geographical area. The area has a large concentration of processing apples, in a different variety mix, and, to some extent, different processing utilization. In western New York, growers have been working enthusiastically toward establishing a State marketing law for the past few years. This year, a marketing bill, identical to the Michigan law will be introduced in the New York legislature. In Michigan, I do not anticipate using a Federal law, but the biggest limiting factor in establishing prices for processing apples is the lack of effort by some of the States to the west of Michigan. There is no reason why Washington and California should not be involved in bargaining activities.

In negotiating with processors to establish base prices, it seems essential that the processing cooperatives in these States cooperate fully. One criticism from many processors in Michigan is cooperatives do not have to act like private stock companies. A strong processing cooperative can step forward and participate in making the market by announcing a downpayment with obvious meaning. They do not have to be legally obligated to return growers' prices as other companies do, but certainly an aggressive posture toward establishing price is important to the other growers in all the markets of the processing community.

One of the factors with more effect on lowering the price of processing apples in the East is processors' fear of the consequences of taking an aggressive posture. As I said, there will always be price differences in these areas, but surely the differences and some of the fluctuations in the market can be minimized by the stabilizing influence of strong grower associations negotiating with processors. I want to point out a few differences that occurred this year. In the Carolinas and Georgia, the juice price for apples started out at \$2.50 a hundredweight this year, went up a little, and, with a very limited supply now, the price is quite high. But for the most of the volume, the price was \$2.50 or \$3.00 per hundredweight.

In Virginia, the price was \$3.20 a hundred. What everyone was afraid of and had the worst effect on events further south was what happened in New York State. There the price for juice apples opened at \$2.50 to \$2.75 and at one point sank to as low as \$2.25 per hundredweight. There is certainly a lot of difference between \$2.25 and \$3.25, and we were at \$3.50 in Michigan. The same thing happened in the peeler market, where the prices opened in the Carolinas at \$5.50 and going further north into New York deteriorated to \$4.85, for fruit at least 2-3/4 inches in diameter.

In conclusion, we think there are a lot of advantages available to producers if they bargain on a regional basis. The growers can contribute toward establishing prices. We hope that this effort will stabilize prices somewhat and enable growers to establish prices based truly on supply and demand instead of some artificial figure that someone happens to throw out to try to establish a price in the marketplace. We hope this situation will have as many advantages to processors as to producers and will offer the kind of price stability not found in the marketplace today as well as an assurance of future supply.

A PROCESSOR'S VIEW
OF COMMODITY
BARGAINING

Charles S. Toan
Vice President
of Production

National Fruit
Product Co., Inc.

When I first discussed my appearance here with my boss, he suggested that I claim a combat ribbon for representing an independent stock company, the National Fruit Product Co., before an assembly of farmer cooperative officials to discuss our views on commodity bargaining that are somewhat different from yours.

I claim some measure of knowledge on both sides, because I started my business career with the old G.L.F. Cooperative, Inc. in Macedon, N.Y. and later worked for the Frederick County Fruit Growers Cooperative in Winchester, Va., for nearly 7 years.

My remarks, based on our experience with commodity bargaining under Michigan Public Law 344, are in accord with the position of the National Food Processors Association.

National Fruit has found that the bargaining process severely restricts our dealings with grower-suppliers. We have prided ourselves, over the years, on encouraging and maintaining grower-processor relations of a higher caliber, with greater trust and confidence than is generally found. The bargaining process hurts this relationship. When we need to be working closely with the apple growers who supply our plants on the movement of bin boxes, the quantity and quality of their crop, and the portion of their crop they wish to market through us,

bargaining associations say we are negotiating and should have no contact with the growers.

Our experience shows that instead of fostering a spirit of cooperation, the bargaining process has created a greater feeling of confrontation than necessary. However trite but true, the processor needs the grower and the grower needs the processor. Anything that spoils the working relationship between them is unhealthy and unproductive.

The bargaining process, by our observation, has been slow, cumbersome, and unresponsive to the changing needs of both grower and processor. There has been no true, face-to-face negotiation of a meaningful nature, nor rapid response to changing market conditions--for example, an oversupply of overpriced juice apples.

In our opinion, the bargaining process has created an artificial price level that is higher than a free market would support. In effect, compulsory commodity bargaining is supported by the State, mandating a legal monopoly to the bargaining group. Through this legal device, prices can be established at an unrealistic level. Most of the early push for settlement is from the smaller and weaker processors who are planning to create an appearance of everyone's jumping on the bandwagon. The larger processors are then sandbagged into line by an arbitration process that does not seem to take into account the volume of fruit involved, but looks at the numbers of processors who have "settled."

Quality has become a casualty of the bargaining process. There is no mechanism built into the system to recognize quality. It has become a leveling factor rather than an inspiration to produce a high-quality product for which a premium price can be obtained. It seems to be heresy for someone to state that all apples are not the same. Despite the best Chamber of Commerce promotion, fruit value varies from region to region, variety to variety and even from grower to grower. It is this aspect of the bargaining process that supports the inefficient and removes the flexibility of pricing fruit received on the basis of grade, use, and quality.

One of the more dangerous aspects of the Michigan Bargaining Bill is that a handler can be forced to take more of a product than he may want at a determined price. To date, this provision has been waived each year, but it remains a part of the legislation, hanging like a sword over our heads.

The National Food Processors Association supports the long established right of farmers to join bargaining associations and to bargain collectively for the sale of their agricultural

products. We are satisfied that existing law is entirely adequate to protect that right, and fully agree with those who maintain that body of law does not need changing, either to restrict the right of collective action on the part of farmers or to convert the voluntary aspects of agricultural bargaining into an oppressive, compulsory system.

For the past several years, there has been national agricultural bargaining legislation introduced in Congress. These bills have varied somewhat in content, but all have had a common thread. The principal features that processors find objectionable are:

1. The requirement for compulsory bargaining between handlers and producers' associations for the sale of agricultural products. These bills would severely restrict competition in the purchase and sale of farm products by guaranteeing a market for the products of a bargaining association and its members, regardless of the quality of their products, the efficiency of operation, or the availability of competing sources of raw products.

Compulsory bargaining opens a real Pandora's box. If the grower is granted bargaining privileges, other groups should be granted equal rights. We hear that growers have been oppressed by processors. If you were to attend a food processing convention, you would hear how the large chains oppress the poor processors. Everyone feels oppressed by someone in the chain. I seriously question if we have found the solution in this kind of thinking.

2. Especially important is the repeal of the balanced requirements of the Agricultural Fair Practices Act of 1967 and enactment of totally one-sided "unfair practices," directed primarily at handlers or processors. An important aspect of the Agricultural Fair Practices Act is its even-handed protection of farmers from the coercion, discrimination, and intimidation of handlers as well as bargaining associations and the protection of the right of an individual farmer to decide whether or not to join a bargaining association. The recent bills entered in the Congress would eliminate the prohibition against the coercion of farmers to join an association, and would in effect deprive farmers of their freedom of choice to sell their crops as they wished, free of coercion and pressure from any source.

3. The third objectionable feature is the establishment of a new regulatory bureaucracy in the Department of Agriculture for government control of the purchase and sale of all farm crops. Detailed new powers and procedures would be set up in USDA for supervision of the bargaining process, including

mediation of bargaining disputes, imposition of compulsory and binding arbitration to dictate the terms of sale for farm products, accreditation of bargaining associations, and designation of handlers who must deal with such associations. The Secretary of Agriculture, subject to only limited judicial review, would enforce the act through administrative proceedings that allow him broad investigatory, inspection, and subpoena powers. If these are not punitive and vindictive bills, I have never seen any.

The food processing industry is opposed to these agricultural commodity bargaining bills and to any other legislation that would remove the processors' basic economic right to decide with whom they will deal. The industry's policy statement is:

"Since we support the right of growers and processors to make individual determinations concerning how they will best sell or best procure their raw products, we are opposed to Federal or State governments' intervention in raw product bargaining activities between processors and growers, and to the establishment of a Federal agricultural bargaining board or similar agency that would control in any manner these bargaining activities."

In addition, the food processing industry opposes repeal of the Agricultural Fair Practices Act of 1967, which protects processors as well as farmers from unfair practices. Under existing law, the right of farmers to join for collective marketing of their production is fully protected by the Capper-Volstead Act and Section 6 of the Clayton Act. The food processing industry opposes changes to the law that would diminish the right of farmers to choose either to sell independently or to enter a joint bargaining unit, and push them only toward participating in bargaining associations. The food processing industry also opposes the lessening of competitive forces in the marketplace, which would lead to a rise in consumer prices.

There is no justification for this dramatic departure from the free market system. Abuses of the competitive process are subject to severe sanctions under the antitrust laws. The Agricultural Fair Practices Act was enacted for the very purpose of preventing harassment, discrimination or coercion of farmers. We have seen no basis for the contention that these laws are inadequate or ineffective or that there are abuses that require further consideration of legislation solutions.

I simply do not see how any piece of bargaining legislation can be written that is fair and equitable to both growers and processors, when one major segment of the industry, cooperatives,

is granted exemption from the bill. With this exemption, you are establishing an unfair advantage that will become a fatal flaw in the long run.

BARGAINING DEVELOPMENTS

TOMATOES

Peter F. Thomas
Executive Vice
President

California Tomato
Growers Association

California Tomato Growers Association represents about 65 percent of the 800 growers of processing tomatoes in the State in bargaining for price and terms of contract with processors for a commodity worth more than \$400 million in annual farm value. The association does not take title to the crop, but its membership agreement prohibits a member from signing an individual contract with a processor until the association negotiates a contract and releases him to do so.

Because processing tomatoes are by far the largest of the State's canning commodities and provide the basis for the operations of the State's canning industry, processors have been reluctant to relinquish any measure of control over establishing the product's price or delivery terms. Thus, bargaining has not been easy for the association, although, we have had a few years of success with processors. In the past few years, canners appeared to be trying all possible schemes on tomato growers to avoid meaningful bargaining, figuring that if they can make them stick, they can move on to growers of other processing commodities. This is somewhat akin to the United Auto Workers' theory that if they can make their demands stick with General Motors, the other automobile firms will have to accept them. As a result, we of the California Tomato Growers Association have had a number of pricing and contract innovations tried out on us, and we have reported and warned others about them in past meetings. Some of these schemes have worked for processors, and it is important that all bargaining associations are aware of the threat.

The initial reaction of processors to the association bargaining effort was to throw money at the problem. Although not a particularly imaginative solution, the approach was successful in slowing the association's bargaining effort in its earliest stages. As the association succeeded in establishing itself as the bargaining agency for its membership, the processors' countermoves became more resourceful and imaginative. As we had anticipated, we are now beginning to see their proliferation to growers of other crops.

In 1977, a California canning company owned by a conglomerate presented the first "grower participation" contract to tomato growers on an extremely limited basis. Growers were guaranteed only 85 percent of the price bargained for by the association, with any further payment based on what the processor would report as its profit on tomatoes with no grower input or audit. Our members were not interested in signing with this program, because it undercut the bargained for price and produced no real promise of profit. No action was taken by the association then, because growers were rejecting the

program and only a percentage of the nonmember growers' acreage of tomatoes was included in the participation contract. Nonmember growers who did sign the participation contract eventually received 92 percent of the association price during the first year. To our knowledge, they have not received any appreciable returns above 85 percent in any subsequent year.

The firm then decided that, because they had been successful in their first step with the few nonmembers, they would expand the program during the next year. To force growers to sign a contract for at least half of their acreage under the plan, the processor said growers would lose at least half of their tomato acreage if they did not accept the plan. The association instituted a series of grower meetings in major tomato production areas to discuss the participation contract with members who had previously sold to the firm. California Tomato Growers was losing acreage because of their unwillingness to sign under the participation plan. At each of the meetings, the growers overwhelmingly rejected the proposal and instructed association directors and staff to take action to stop the movement. Although association members had rejected the plan, many nonmembers seemed to be content to take less than the association price, even without knowing what it would be. This was largely because they knew association growers would not sign the contract and would, therefore, lose half of their tonnage from the canner's penalty program. That tonnage would then be available to nonmembers who signed the plan. The processor began to sign new growers and nonmember growers, allotting them increased acres that had previously been contracted from association members.

California has bargaining protection statutes on its books almost parallel to the existing Federal statutes, and a complaint was filed against the firm charging discrimination against and coercion of association members and refusal to bargain in good faith with the association. The lawsuit is still moving in the courts and has not yet gone to trial. The association also took its case to the Bureau of Market Enforcement to try to stop further reduction of acreage for association members who had long-standing relations with the canner. At the time, following a perfunctory investigation, the department notified the association that, in its opinion, there was no actionable violation of California law. Further action and pressure by the association on the department resulted in some change in this attitude and investigation of the firm's contracting practices. The matter is still continuing, years after the occurrence. However, to date, there has been no resolution either in the courts, with the bureau, or between the firm and the association.

I have gone into this program in some detail because of its great significance to the ensuing activities of other processors and to the subsequent bargaining activities of the association. As you may understand, other processors were not about to let one of their group buy their basic commodity for less money, and major processors began to devise their own participation and deferred payment plans in competition.

With a depressed year for processed tomato products in 1979, these processors made their move for 1980. In December 1979, one of the State's major tomato processors, who had been scrupulously meeting with the bargaining committee for several months, came to the association with a spinoff of the participation contract, which they termed an "index-pricing" contract. Factors in the index pricing included the growers' out-of-pocket expense in growing tomatoes, the firm's processing costs, and a weighted average selling price of a mix of private label tomato products, not the branded product manufactured by this processor which sells at a higher price than the private label.

All of the factors, including the growers' out-of-pocket costs, which were set at \$47 per ton for 1980, were to be determined solely by the processor. The initial \$47 payment was to be made at harvest, with a review of the index-pricing schedule on January 15, and interim payment, if any, made consistent with market conditions. Final adjustment would come on July 15 of the next year. The index included a maximum payment of \$60 per ton if the index went to 120 percent, and a minimum of \$47 per ton if the index went to 90 percent, and the processor's accounting firm would be used to verify the data included in the index. They told us that the program was not negotiable, and despite the association's position, they were going to the field with the contract to offer it to both members and nonmembers.

Because there was no room for grower participation in the index-pricing program, the association refused to sign the pricing proposal. Growers were fearful of losing their acreage position with the processor, and members were anxious to obtain contracts. Therefore, there was pressure on the association to sign a contract with the firm that included delivery terms and off-grade provisions. This, however, did not include a base price. The firm signed all its requirements with growers in a relatively short period of time.

Another major processor proposed an even less favorable contract based on a sliding scale related to tonnage produced in 1980 with a range of \$43 to \$52 per ton, with 60 percent of

the price to be paid at harvest, 20 percent on January 31 of the following year, and any remainder on June 30. We notified our members that they could also sign this contract if they wished. Other canners began devising their own versions of tomato contract price offers, and growers felt they were in no position to resist them. As a result, we did not establish an industrywide price for 1980 and signed a full contract with only one processor who was willing to pay a base price of \$50 per ton. We did, however, sign a contract with all other canners concerning delivery terms, off-grade deductions, and many other provisions including assignment of dues and favored nation clauses. Notwithstanding such a universal contract, having to sign a contract with no base price is, of course, distressing to the bargaining association.

We view the deferred payment plan that has been tested in the tomato industry to be a major problem to growers. It is our understanding that, as predicted, deferred payments are now working their way into other processing crops. Such payments constitute a noninterest loan by growers to processors, one which most growers can ill afford. The position of the association is that growers, who must borrow money for their operations at inflationary interest rates, should receive interest on the money held by processors under the deferred payment plan. "Profit"-sharing has in all instances resulted in what can be more truly termed "loss"-sharing. The association's position on profit-sharing and index-pricing is that factors should be determined by an objective audit. To date, we have been unable to get the processors to agree to our position on either deferred payments or profit sharing.

Many California processing commodities have long enjoyed a quality incentive payment for superior deliveries. These are based on a premium-penalty schedule related to off-grade in loads, and constitute a true incentive for the individual grower to achieve a quality delivery that returns a higher economic value to the processor. Some tomato processors are advancing new versions of the quality incentive payment based on soluble solids. They have figured out a way to offer what they call a soluble solids improvement program that results in their desired objectives while costing them nothing. It is simply a matter of pitting one grower's deliveries against another.

By merely "splitting the pie," it monetarily penalizes the grower who happens to be on the low end of the ratings for that day, giving the money to the grower who is on the high side. In effect, the grower is competing for the money not only with his neighbor, but with himself. In fact, a grower who improves his quality but averages on the low end is penalized.

We believe that this is a self-defeating program in which growers will simply opt for delivering the greatest number of tons of produce possible without regard to soluble solids improvement. As with other programs tried first on the tomato grower, I report this simply as a forewarning of what could happen to growers of other commodities.

Meanwhile, we are still bargaining for an industrywide price for 1981, regardless of index-pricing or deferred payments, and we are moving toward that goal. Processors are still testing us this year, but in general, they are not trying to make an end run around us. One major processor who did try it a few weeks ago, did an about-face when we promptly went to court and filed a complaint against it.

The situation is somewhat different this year than it was in 1980. We have our supply and demand in balance, processors are making money on their tomato packs, and crops that compete for tomato land are looking much better than tomatoes under the various contract provisions that processors are offering. Our initial success in bargaining came about because of the tremendous commitment of growers to achieving a voice in the price and contract terms for their production. As growers of an annual crop that is absolutely necessary to the State's processors, tomato growers have enormous clout. Some are using it by choosing to plant wheat, corn, rice, alfalfa, sugar beets, beans, or many of the other crops that currently offer a better return than the production of a high-risk, high-cost crop such as tomatoes. Others apparently feel they cannot afford to park their extremely expensive tomato harvesters for a year to get the equitable, long-term contract the association has been trying to negotiate for its members.

You will note from my recital of recent processor relations with the California Tomato Growers Association, that they have acted within the shadow of existing laws and with much greater sophistication than in the past. However, they have continued to take unilateral, coercive action against association members in the presentation of contracts. In view of this, it is absolutely imperative that we obtain meaningful amendments to the Agricultural Fair Practices Act, and I solicit your unreserved support in this Congressional session of a bill to provide for reasonable bargaining with grower associations, and to generate supervision and enforcement of processor bargaining activities.

On December 10, 1980, the Pacific Coast Cooperative Marketing Association, which is a coalition of some 16 farm bargaining cooperatives from four western States, presented a policy paper to the USDA Transition Team regarding the need for amendment of

the Agricultural Fair Practices Act. I would like to quote from this paper, which sets out our position on the bill.

"Problems affecting fruit, nut and vegetable producers are increasing as ownership of processing facilities continues to concentrate in fewer hands. This has resulted in very reduced bargaining ability by individual farmers. In recent years, however, producers have been suffering from certain actions of processors who have found ways to circumvent the narrow protections extended to farmers in the Agricultural Fair Practices Act. The AFPA is, therefore, in critical need of amendment if grower associations are to survive and to allow growers to participate in negotiating with handlers, as was to have been provided in the Act.

"Many handlers are either refusing to meet with grower bargaining cooperatives or are doing so on a 'take it or leave it' offer basis, or otherwise only engaging in superficial bargaining. Additionally, many other schemes have been carried out by handlers because the prohibited practices and other sections, including enforcement provisions, are unclear or inadequate.

"The right provided by existing law for growers to be free to join and participate in farmer bargaining cooperatives is rendered meaningless, unless the handler is required to bargain in good faith with such associations. Likewise, the other provisions of the law are without effect unless there are adequate enforcement procedures and remedies which may attach to the violator.

"In recent years, there has been disquieting economic cyclicity in the fruit, nut and vegetable industries affecting both producers and processors. The bargaining process provides free and orderly pricing and contracting for commodities, which results in stability of price and supply. The elimination of uncontested superior leverage by handlers tends to limit sharp fluctuations in prices and thus supply, which in turn benefits producers, handlers and consumers. The balancing of power through bargaining between the parties provides industry stability and promotes the general welfare through the exercise of the free enterprise system.

"In the most recent session of Congress, H.R. 3535 was introduced and supported by all major farmer organizations (American Farm Bureau Federation, National Council of Farmer Cooperatives, Grange, and the National Farmers Union) as well as farmer bargaining associations. We anticipate that, in the 1981 session of Congress, a similar measure will be introduced to amend and update the Agricultural Fair Practices Act and

require good faith bargaining for fruits, nuts, vegetables and processing poultry. This measure will likewise be vigorously supported by all principal national farm organizations and bargaining associations under the leadership of AFBF. We hope that USDA will be in a position to give its prompt and full support for passage of this important farm legislation.

"Passage of the bill would continue the policy of allowing growers to participate in this 'self-help' process whereby growers can protect their own interests. Such a bill will help relieve the economic plight of farmers without requiring a large intervention by the Federal government. This form of self help is far less expensive and more direct than other options of providing farm relief. It does not involve Federal programming and subsidization or extensive controls. In the absence of passage of such a bill, growers will be afforded no possibility to meaningfully participate in open business transactions with processors.

"We respectfully submit this position paper to the Transition Team and request that you give full consideration to including amendment of the Agricultural Fair Practices Act among the high priorities of this administration."

We know we will have strong opposition from processors and handlers on such a bill and will require equally strong support from bargaining associations throughout the Nation if such opposition is to be countered. We trust you will commit your organizations to giving your full support to amending the act.

POTATOES

Larry Jorgenson
Manager

Washington Potato
Growers Association

Washington Potato Growers Association, as it is known today, was originally the Potato Division of Washington Agricultural Marketing Association (WAMA). WAMA was formed in 1967 and consisted of three divisions--potatoes, cherries, and grapes. The Potato Division directors of WAMA decided in April 1976 that it would be advantageous to form a separate potato organization. In June, the affairs of the Potato Division were wound up at Sunnyside and Washington Potato Growers Association moved into offices in Othello, Wash.

Last year, WPGA signed 22 growers in Oregon, enabling us to negotiate with three more processors. One thing that has developed from this is an advance-year contract. Our organization has not been too excited about such contracts, because in previous years their escalator clauses did not represent a large enough percent of the cost of production.

All previous advance-year contracts established price on the basis of selected production costs specified by the producer. Because these selected production costs did not represent a

large enough percent of total production costs, a decrease in price could result while overall costs would be up.

Last October, we negotiated an advance-year contract with a processor in Oregon. The cost of production escalators representing 80 percent of the cost of production included:

1. Gasoline and diesel fuel
2. Chemicals
3. Chemical application
4. Preplant mixture
5. Sidedress
6. Fertigation
7. Seed
8. Seed freight
9. Labor and fringe benefits
10. Electrical power
11. Interest on operating loans
12. Equipment
13. Hauling

These rates were determined by Touche-Ross & Co., Pocatello, Idaho, who received written confirmation of prices from various suppliers.

The adjustment factor was determined by comparing the first-year specific cost to the second year specific cost, e.g. \$1,274 (1981 cost) - \$1,142 (1980 cost) = \$132. This difference was then divided by the average usable yield (22 tons) to establish the increase or decrease from the first year base price as follows: $132/22 = \$6$ per ton.

We also negotiated an additional \$4 per ton to be added to the base. This was intended to cover items not covered by the escalators. The total increase then would be \$10 per ton. This would represent a 16.5 percent increase in the base price.

Other important items were:

1. The advance-year contract would only represent a maximum of 33 percent of each grower's previous year's contract.
2. The contract could only be signed within 30 days of the settlement date. This prevents processors from signing growers to the contract while the remainder of the contract is being negotiated.
3. Potatoes would not be harvested before Labor Day, except by mutual consent of the buyer and seller. If the buyer and seller agree to an earlier digging, the base price would be increased by 50 cents a day prior to September 1. This type of contract assures the grower that any major changes in costs will be reflected in the escalators, e.g. interest rates would not be determined until the first week of February in 1981.

It is likely that we will be discussing this type of contract in Washington this year.

We have approached advance-year contracts with a great deal of trepidation, because in the past this type of contract has been held as a club over the grower's head. For example, advance-year contracts were used by processors to beat down other contract negotiations. One processor tied a normal contract to an advance-year contract to force growers to sign. The option was no contract at all. One other item we feel important is that all our negotiated contracts have bonus clauses in them. Growers receive additional money for a high percent of 10 ounces, high specific gravity (dry matter), and good bruise-free. This allows good growers to make money. The grower who cannot produce quality will not survive.

I have been asked to outline what the Potato Marketing Association of North America (PMANA) is and what it is doing. On January 4, 1974, a group of growers representing bargaining organizations in Canada got together to discuss the possibility of setting up some means of keeping in regular contact and exchanging information.

On January 9 and 10, 1974, Washington, Oregon, and Idaho sponsored a meeting in Scottsdale, Ariz., to accomplish the same objectives. A few Canadian people were at the Scottsdale meeting, and the International Potato Marketing Association was formed. During 1974, this group met 10 times to exchange information. During 1975, the group met eight times. Since then, we have met four times a year, during the months of January, April, July, and November.

On July 12, 1977, articles of incorporation and bylaws were approved and the group became known as the Potato Marketing Association of North America. The member associations are:

Malheur Potato Bargaining Association
Maine Agricultural Bargaining Council
Quebec Department of Agriculture
Potato Growers of Idaho
Washington Potato Growers Association
Red River Valley Potato Growers Association
Wisconsin Potato & Vegetable Growers Association
Michigan Agricultural Cooperative Marketing Association
Prince Edward Island Marketing Board
British Columbia Coast Vegetable Cooperative Association
Alberta Potato Commission
Ontario Potato Growers Marketing Board
Keystone Vegetable Growers Association (Manitoba)
New Brunswick Potato Marketing Board

The major purpose of the organization is to exchange information. At least a half day is devoted at each meeting to area reports. Each organization reports on what is happening in its area and the validity of Standard Reporting Service reports. Each area is sent a standard report form to record the following: acres planted, yield, production, quality, volume of raw product processed, volume in company storage, status of processing plants, current prices, and outlook.

During the negotiating months, January through May, we send a weekly letter to all associations that have scheduled bargaining meetings, so each area knows when a bargaining association is meeting with a processor. Because many processors have companies in two or three different areas, we can call to find out what has happened in any area. Each organization phones our office every Thursday to report any developments. On Friday, we send out a letter summarizing the week's activities, including an updated calendar of upcoming meetings. In addition, many organizations phone to get information earlier.

While I was preparing for this presentation, I read through the proceedings of last year's bargaining meeting to see if there was something that hasn't been said before. That's difficult to do, but one presentation really hit me. It was Harry Kubo from the Nisei Farmers League giving a talk on "Developing 'Grass Roots' Support for Legislation."

Our biggest problem is follow-through. We get all excited at a meeting when we hear someone like Harry Kubo talk, but we never put what is said into action when we get back home.

We in the potato industry feel strongly that PMANA is necessary. It has kept us in touch with all the major production areas in North America. Obviously, if you are in an international market, you must keep in touch. We know there are a lot of things that could help us negotiate a better return for the grower, but it's what you do with what you've got that's important.

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